



MNQUMA LOCAL MUNICIPALITY

**ANNUAL REPORT
FOR THE YEAR ENDED 30 JUNE 2009**



MNQUMA LOCAL MUNICIPALITY



**ANNUAL REPORT FOR THE YEAR
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TABLE OF CONTENTS

GLOSSARY OF WORDS.....	3
CHAPTER 1: INTRODUCTION AND OVERVIEW	4
1.1 EXECUTIVE MAYOR'S FOREWORD	5
1.2 MUNICIPAL MANAGER'S FOREWORD	6
1.3 OVERVIEW OF THE MUNICIPALITY.....	7
1.4 EXECUTIVE SUMMARY.....	8
1.4.1 FEATURES OF LOCAL ECONOMY	8
1.4.2 MAJOR EVENTS THAT Affected THE MUNICIPALITY	8
1.4.3 VISION, MISSION AND VALUES	9
1.4.4 FINANCIAL HEALTH OF THE MUNICIPALITY.....	10
CHAPTER 2: PERFORMANCE HIGHLIGHTS	12
2.1 BACKLOG ON SERVICE DELIVERY	123
2.2 BASIC SERVICES PROJECTS FUNDED BY ADM	16
2.3 SANITATION.....	17
2.4 PROGRESS TOWARDS ACHIEVING LED OBJECTIVES.....	18
CHAPTER 3: HUMAN RESOURCES AND OTHER ORGANISATIONAL MANAGEMENT	22
3.1 GENERAL OVERVIEW OF STRUCTURE OF THE MUNICIPALITY	23
3.1.1 THE POLITICAL ARM	23
3.1.2 THE MUNICIPAL ADMINISTRATION	24
3.1.3 THE ORGANISATIONAL STRUCTURE – POLITICAL STRUCTURE	24
3.1.4 THE ORGANISATIONAL STRUCTURE – ADMINISTRATION	25
3.2 BREAKDOWN OF POSTS PER DIRECTORATE / OFFICE	26
3.3 SUMMARY OF POSTS PER DIRECTORATE AND/OR OFFICE AND BREAKDOWN ACCORDING TO EQUITY.....	32
3.4 PAYMENTS MADE IN RELATION TO MEDICAL AID (2008/2009 FINANCIAL YEAR).....	40
3.5 PAYMENTS MADE TO THE PENSION FUNDS FOR THE FINANCIAL YEAR ENDING 30 JUNE 2009	40
3.6 TRAINING CONDUCTED AS AT 30 JUNE 2009.....	41
CHAPTER 4: AUDITED STATEMENTS AND RELATED FINANCIAL INFORMATION	44
4.1 AUDITED ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009	45
4.2 AUDITOR-GENERAL AUDIT REPORT FOR THE YEAR ENDED 30 JUNE 2009	101
4.3 COMMENTS BY THE ACCOUNTING OFFICER ON THE REPORT OF THE AUDITOR GENERAL TO THE COUNCIL ON THE FINANCIAL STATEMENTS 30 JUNE 2009	113
CHAPTER 5: FUNCTIONAL AREA SERVICE DELIVERY REPORTING	125
5 OFFICE OF THE MUNICIPAL MANAGER.....	126
5.1 STRATEGIC MANAGEMENT.....	126
5.1.1 PERFOMANCE REPORT FOR THE YEAR 30 JUNE 2009-STRATEGIC MANAGEMENT.....	128
5.1.2 AUDIT COMMITTEE.....	132
5.1.3 INTERNAL AUDIT FUNCTION	135
5.1.4 OFFICE OF LEGAL ADVISOR	134
5.2 BUDGET AND TREASURY OFFICE.....	136
5.2.1 ANNUAL PERFORMACE REPORT FOR THE YEAR 30 JUNE 2009-BUDGET AND TREASURY	138
5.3 INFRASTRUCTURAL DEVELOPMENT AND PLANNING.....	145
5.3.1 PERFORMANCE REPORT FOR THE YEAR ENDED 30 JUNE 2009.....	147
5.4 COMMUNITY SERVICES.....	158
5.4.1 ANNUAL PERFORMACE REPORT 30 JUNE 2009-COMMUNITY SERVICES	161
5.5 CORPORATE SERVICES.....	173
5.5.1 BACKGROUND AND COMPOSITION	173

5.5.2 ANNUAL PERFORMANCE REPORT FOR THE YEAR 30 JUNE 2009-CORPORATE SERVICES..... 173

GLOSSARY OF WORDS

ADM	-	Amathole District Municipality
TRC	-	Transkei Regional Councils
MEC	-	Member of Executive Committee
IDP	-	Integrated Development Plan
DBSA	-	Development Bank of South Africa
DWAF	-	Department of Water Affairs and Forestry
IDF	-	Inter Governmental Forum
MSIG	-	Municipal System Improvement Grant
BOTT	-	Build Operate Train and Transfer
ISD	-	Institutional Social Development
Cllr	-	Councillor
AG	-	Auditor General
SPU	-	Special Programs Unit
BTO	-	Budget and Treasury
GL	-	General Ledger
BILL R	-	Billing Report
IAS	-	International Accounting Standards
SARS	-	South African Revenue Service
LED	-	Local Economic Development
PMS	-	Performance Management System
SEA	-	Strategic Environmental Assessment
SDF	-	Spatial Development Framework
SMME	-	Small Medium Micro Enterprise
LTO	-	Local Tourism Organisation
ICT	-	Information Communication Technology



MNQUMA LOCAL MUNICIPALITY

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CHAPTER 1 INTRODUCTION AND OVERVIEW

1.1 Executive Mayor's Foreword

The passing year has been the most exciting one as the institution was dearly healing from the wrongs of the past. Marketing and branding the institution through service delivery initiatives, building strategic partnerships and mobilizing resources into our institution has been our character and that has yielded into stakeholder and community confidence into the institution. Many strategic vacancies have been filled and there has been a lot of investment in terms of training and development, which still continues to date. The political leadership had to vigorously engage communities and stakeholders in various aspects and ensuring that there is hegemony and information is shared appropriately. Our council structures performed their work with great zeal and we are convinced that a lot still needs to be done.



The adoption in time of the Integrated Development Plan, Budget, Service Delivery and Budget Implementation Plan and the Performance Management System framework has been major breakthroughs and that means there is governance. For the first time our Integrated Development Plan has been declared credible and the rated the 3rd in the Province through the comments of the MEC for Local Government and Traditional Affairs and the majority of government departments did integrate their plans in our Integrated Development Plan.

The submission of reports to council and other outside stakeholders has encouraged us to even do more as part of ensuring that we fully comply as the municipality. All the dues of the councilors and employees have been paid and our creditors have been reduced. The municipality continued to face serious financial challenges as it is entirely dependent on grants and that makes us not financially viable but income generating strategies are being explored to change the status quo.

The service delivery backlogs have been attended to but the pace has not been so convincing though at least considerable work has been done to change the service delivery status. One is determined that something has happened and our communications arm has done its part of populating all the information for the consumption of our communities.

Everyone is encouraged to deepen the engagements and vigorously look for resources that must bring about change in the lives of the peoples of Mnquma.

A handwritten signature in black ink, appearing to read "T. Ntongana".

Cllr. W.M Ntongana
Executive Mayor

1.2 Municipal Manager's Foreword

I hereby humble take this opportunity to present to the Mnquma Community at large and the whole South African public in general, a summary of Mnquma's priorities and performance in relation to the approved Budget for the year under review. The upper most crucial and strategic priority of the Municipality for the year under review was to improve revenue collection, improve expenditure in accordance with the approved Budget especially the conditional grants allocated for Inter alia, to enhance service delivery processes and Local Economic Development. Indeed targets set were to a greater extent achieved. In as far as the overall budget is concerned the institution managed to collect 70 % of the budgeted revenue and expend 70% of the total budget, while 84% expenditure was achieved in as far as MIG including roll overs from the previous financial year. The marked increase on the MIG expenditure is attributable to the effective and efficient Management of the Projects by the Project Management Unit. Compared to the previous Financial years the Municipality managed to deliver more and indeed qualitative projects to the communities, details of which are found in the body of the report under Infrastructure. The performance of the Municipality was however not good in as far as Local Economic Development is concerned mainly because of staff turnover in that division during the year under review.



The institution overall has improved with more policies and procedure manuals adopted by the Municipal Council during the year, and at the Performance Awards for the year under review the Directorate of Corporate Services scooped the award as the best performing among the Five Directorates. This achievement augurs well for the entire institution as no institution can improve performance overall in the post modern times without a well managed and motivated personnel.

For the 2009/10 financial year the Municipality adopted the same priorities with greater emphasis on Local Economic Development. This is informed by a realization that revenue enhancement and collection is inextricably bound with Local Economic Growth as more money circulating in the local economy means more rands in the pockets of the rate payers.

I would like to take this opportunity to commend the entire Management team and general personnel of the Municipality for the dedication and commitment they continue to demonstrate against all odds despite all the challenges, political and otherwise that often distract their focus on pursuing service delivery. On behalf of the entire management we wish to reiterate to our Municipal Council and the entire Mnquma Community our unwavering commitment to the injunctions as contained in the Supreme law of the land (the constitution) especially Chapter 7 and Chapter 10, in the quest to improve and expedite service delivery.

A handwritten signature in black ink, appearing to read "Nngamela Pakade".

Nngamela Pakade
Municipal Manager

1.3 Overview of the Municipality

Mnquma Local Municipality is located in the South Eastern part of the Eastern Cape Province. This category B municipality falls under the jurisdiction of the Amathole District Municipality (ADM) and comprises of an amalgamation of the former Butterworth, Ngqamakhwe and Centane TRC's, Mnquma Municipality shares borders with three other local municipalities i.e. Mbhashe, Intsika Yethu and Great Kei Municipalities. This also includes a number of previously administered rural areas. It is approximately 32 995 240 square kilometres and consists of 31 wards.

Mnquma Local Municipality has a total population of approximately 297 663 people, 99% of which are Xhosa speaking African. The remaining 1% of the population includes English, Afrikaans, Zulu, Sesotho speaking people. The municipality comprises of 54% female and 46% male of the total population and consists of approximately 75 410 households.

A study of the age distribution revealed that the bulk of the population, approximately 53%, is children (0-19 years). About 6.3% falls within the pension group (over 56years), whilst 38.5% is economically active (20-64 year). This indicates that there is a high dependency ratio, as 59% of the population depends only on 41% workforce in the municipality. There is therefore a desperate need for the municipality to develop youth development programmes.

A monthly household income demonstrates destitute households with high levels of unemployment and a community in dire need of various source of income. About 40% of the households in the municipality have no income and approximately 27% with incomes less than R9600 per month. This means that approximately 40% of households in the local community need subsidy arrangements for survival and thus are unable to pay for services. This therefore has huge implications on the municipality's financial status in that they cannot rely on residential cross subsidisation for revenue.

According to census 2001 in the Eastern Cape, Mnquma is one of the municipalities with the highest levels of poverty, illiteracy and unemployment. An estimated 21% is unemployed, only 13% is employed while 66% of the municipal population is considered economically inactive.

The municipality has limited employment opportunities and this has huge implications on the increased need for welfare and indigent support in the municipality. The municipality therefore needs to put priority into service provision, skills and social development.

1.4 Executive Summary

1.4.1 Features of Local Economy

Mnquma Local Municipality consist of 3 main urban centres that contribute largely towards its total GDP of 1 457 948. Butterworth is the economic hub of this municipality and contributes 1 125.855 (77%) towards the municipality's total GDP. On the other hand Centane and Ngqamakhwe contribute 171 718 (12%) and 160 375 (11%) respectively.

Industry-Mnquma area in particular Butterworth relied on a number of industries with relevant infrastructure though most of them are no longer functional. Below are factories that are operational:

NAME OF FACTORY	TYPE OF THE FACTORY	WARD
Tally	Clothing Factory	5
Metal Industry	Steel	2
Golden Company	Spoons Factory	5
Leopard Breweries	Chibuku Factory	1

Mining-Titanium, granite, potters clay, and sand are mineral resources that are found in Mnquma. Crushed stone is processed in Butterworth and at Kei Bridge. Forestry-Municipality has about 3500 hectares of forestry under the management of DWAE.

1.4.2 Major Events that affected the Municipality

In the year under review the Municipality was clouded with challenges relating to political leadership changes ; first resignation of the then Executive Mayor Cllr M.W. Duna, after which a political debate emerged for the substitution and occupation of this highest office. After meticulous engagements, Council provisionally elected Cllr's. N Dyantyi and M. Mapazi respectively in different instances until the final election of Cllr.W.M Ntongana on the 2nd November 2008. Council had to also elect a Council Speaker Cllr G.M Faniso on the 11th December 2008 after the resignation of Cllr. M.W. Ntenjwa.

The council has been embattled into a legal battle, notwithstanding allegations of maladministration; corruption and fraud all of which had no basis, and resultantly could not be substantiated and proved in the court of law. In January 2009 the MEC appointed an administrator to take over the administration of the Municipality, which also proved unnecessary and could not sustain.

1.4.3 Vision, Mission and Values

Vision

Mnquma Local Municipality adopted a vision that will uphold the principles of democracy and equity, create an enabling environment that facilitates the empowerment and development of the community economically, socially and legislatively to ensure sustainable and affordable services.

Mission

In pursuit of the vision, Mnquma will create a democratic, responsive, effective, efficient and self-sustaining municipality able to deliver affordable quality services; generate revenue and stimulate economic growth through investing in human capital; ensure the optimal use of resources in a manner that will ensure active community participation and cooperative governance resulting in sustainable growth and development of our Municipality.

Values

Accountability

We will account to the community, stakeholders, provincial and national government for the performance of the municipality to ensure sustainable quality service delivery and financial management

Transparency

The municipality will strive to be open and honest to the community and stakeholders about every aspect of its work

Participatory Governance

We will encourage and create conditions for local community and stakeholders to participate and be involved in the affairs of the municipality.

Governance Education

We will strive to educate and empower our communities about the issues of governance to enable them to contribute positively to its development

Social responsibility

We will encourage the local community and all stakeholders within the local municipality to act responsible with regard to control of the HIV and AIDS pandemic

1.4.4 Financial Health of the Municipality

According to analysis that was conducted from the previous year's annual financial statements and the current year financials the municipality's financial position is not good, as it largely depends on external support (grants). The little collection made only afford to cover expenses on creditors and salaries and major infrastructure expenditure is funded from conditional grants.

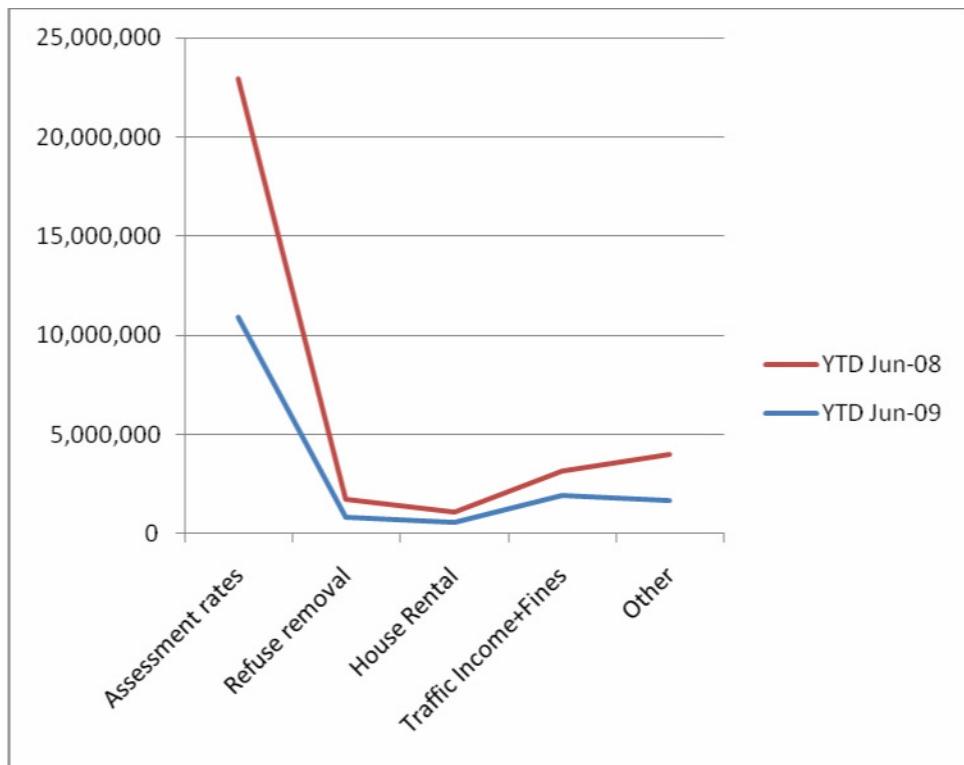
In the year under review council reviewed number of policies that regulate the municipal consumer debts e.g. credit control policy, write off policy, calculation of bad debt policy and indigent policy. The municipality also managed to have financial system that responds to billing of statements of consumers and procured a printer that can be able to print fold and seal at the same time for monthly statements to be sent to consumers regularly.

In the implementation of these policies, the council placed the municipal debt in a suspense account (capitalisation) for investigation through data cleansing exercise and implementation of the policies mentioned above. It later took a resolution to write off all the debt that was capitalised. The council further appointed a service provider to develop the revenue enhancement strategy which will assist the municipality to generate more on revenue.

Collections on rates and services vs. the prior year

Comparison of revenue	YTD Jun-09	YTD Jun-08
Assessment rates	10,910,260	12,051,930
Refuse removal	833,368	923,885
House Rental	573,712	526,564
Traffic Income and Fines	1,961,295	1,215,214
Other	1,668,883	2,320,588

Comparison of Revenue for the year under Review (2008/2009) vs. Prior year (2007/2008)



DEBTORS AGE ANALYSIS AS AT 30 JUNE 2009

	Total	<30 days	<60 days	<90 days	>120 days
Refuse Removal; Fire Levy & Rental	23,606,639.00	1,514,944.00	814,518.00	924,417.00	20,352,760.00
50-Assessment Rates	39,442,892.00	8,092,094.00	1,032,291.00	1,026,214.00	29,292,293.00
<u>63,049,531.00</u>					



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CHAPTER 2 PERFOMANCE HIGHLIGHTS

2.1 Backlog reporting on service delivery

In this chapter, the municipality will dwell much on services that are performed by other organs of state in terms of the backlog. As it is a known fact that the municipality does not provide electricity Eskom does, Housing function, the Provincial department of housing does and water and sanitation Amathole District's competence.

	30 JUNE 2009		
	REQUIRED	BUDGETED	ACTUAL
Water Backlog	43786	43786	43786
Backlog to be eliminated(no of h/h not receiving minimum standards of service)	58	58	58
Backlog to be eliminated (% H/H identified as backlogs/total H/H in municipality)	86,602,195	86,602,195	86,602,195
Spending on new infrastructure to eliminate backlog(Rand)	8,660,220	8,660,220	8,660,220
Total Spending to eliminate backlog(Rand) Spending on Maintenance to ensure no new backlog created(Rand)			
Spending on renewal of existing infrastructure to eliminate backlog	24 400 000.00		
Sanitation Backlog			
Backlog to be eliminated(no of h/h not receiving minimum standards of service)	55465	55465	55465
Backlog to be eliminated (% H/H identified as backlogs/total H/H in municipality)	74	74	74
Spending on new infrastructure to eliminate backlog(Rand)	R450,495,403.00	R450,495,403.00	R450,495,403.00
Total Spending to eliminate backlog(Rand) Spending on Maintenance to ensure no new backlog created(Rand)	R45,049,540.30	R45,049,540.30	R45,049,540.30
Spending on renewal of existing infrastructure to eliminate backlog	16 600 000.00		
Refuse Removal			

	30 JUNE 2009		
	REQUIRED	BUDGETED	ACTUAL
Backlog to be eliminated(no of h/h not receiving minimum standards of service)	100%	67566	25%
Backlog to be eliminated (% H/H identified as backlogs/total H/H in municipality)	40%	75410	55%
Spending on new infrastructure to eliminate backlog(Rand)	R6.9m	R800 000	R800 000
Total Spending to eliminate backlog(Rand) Spending on Maintenance to ensure no new backlog created(Rand)	R500 000	R 0.00	R 0.00
Spending on renewal of existing infrastructure to eliminate backlog	R1.9m	-	-
Electricity Backlog(30kwIpm)			
Backlog to be eliminated(no of h/h not receiving minimum standards of service)	55465	55465	55465
Backlog to be eliminated (% H/H identified as backlogs/total H/H in municipality)	74	74	74
Spending on new infrastructure to eliminate backlog(Rand)	R450,495,403.00	R450,495,403.00	R450,495,403.00
Total Spending to eliminate backlog(Rand) Spending on Maintenance to ensure no new backlog created(Rand)	R45,049,540.30	R45,049,540.30	R45,049,540.30
Spending on renewal of existing infrastructure to eliminate backlog			
Roads Backlogs			
Backlog to be eliminated(no of h/h not receiving minimum standards of service)	3,131km (Households figures not available)	3,131km (Households figures not available)	3,131km (Households figures not available)
Backlog to be eliminated (% H/H identified as backlogs/total H/H in municipality)	89	89	89
Spending on new infrastructure to eliminate	R1,095,868,801	R1,095,868,801	R1,095,868,801

	30 JUNE 2009		
	REQUIRED	BUDGETED	ACTUAL
backlog(Rand)			
Total Spending to eliminate backlog(Rand)	R109,586,880	R109,586,880	R109,586,880
Spending on Maintenance to ensure no new backlog created(Rand)			
Spending on renewal of existing infrastructure to eliminate backlog	R2,101,243		

2.2 Basic Services Projects Funded by ADM

Project Name	Budget	Expenditure	Challenges	Progress To Date / Comments
Ngqusi Water Supply Project	44,173,296.16	30,196,828.74	The borehole source was found at Godidi Village (which was not part of the scheme) ±6km from Ngqusi. This village (Godidi) will be part of the new plan scheme. Project can be delayed by Eskom as we still waiting for power connection.	The project is sub-divided into nine (9) contracts/schemes including three (3) EPWP Leanership Contracts covering the following villages; (Ngqusi-A&B, Zibunu, KwaJoni, Ngcingane, Nurane, Kosani, Ncerhala-A,B&C, Gaqa-A&B, Sintsana, Nxaxho-A&B, Mthonjeni-BB, Willi, Nombanjana-A,B&C, Enginqini, Gcina-B, Ncerana-Thakazi). The project is 90% complete.
Ehlobo, Mgwe & Zingqayi Water Supply (final phase)	68,783,243.00	16,051,349.40	Phase 1 was completed in 2006 but delayed due to Eskom connection, diesel pumps has been planned to commissioning the scheme.	The Final Phase, Phase 3 is sub-divided into six (6) contracts/schemes. All schemes have started with construction on the following villages; Scheme A – Bulk Contract; Scheme B (Tyeni-C, Ntshamanzi-A, Kwaiman, Zwelitsha-D, Mankehlane); Scheme C (Mbanjwa, Sipahleni, Gqoloma, Matolweni-D); Scheme D (Gxothiwe, Malongweni, Manxiweni-D, Zingqayi, Mambabaleni); Scheme E – Gravity Main pipeline & Reservoirs; Scheme F (Mazizini-J, Sawutana-E, Tshazibana, Zingcuka-A, Esiqithini, Mbucwini, Ngwanya, Ngonyama-C).
Crouch's Bush Water Supply Project	22,981,182.86	8,469,875.34	The project has a budget shortfall and the following villages will be delayed; Scheme C (Kwa-Mjo, Kwa-Maxhama); Scheme D (Cwebeni, Gxara, Kwa-Notshinga, Sizini, Dakeni) Including additional villages (Kei-Farm, Emtshanyaneni).	The project is sub-divided into four (4) contracts/schemes. Only Scheme A&B has been awarded and Scheme C to be awarded at a reduced scope due to budget shortfall, Scheme D will be awarded once additional funding has been secured / approved. Scheme A (Mnyameni, KwaMdange, Jojweni, Nyumada, Qombolo, Mnenemba, Lambasi, KwaVuso, Komkhulu, Mnqalasini, KuManyube, Sezela); Scheme B (KwaSeyisi, KwaQolo, Nyumage, Machelesini, Mdushane); Scheme C (Zimbaba, Kwa-Feni, Kwa-Mjo, Kwa-Maxhama); Scheme D (Cwebeni, Gxara, Kwa-Notshinga, Sizini, Dakeni) Including additional villages (Kei-Farm, Emtshanyaneni).
Myoyo Water Supply Project	42,306,902.52	3,439,274.64		The project is sub-divided into four (4) contracts/schemes and all of them have been awarded. Scheme A (Jojweni-Q, Mthonjeni-B, Mrhawuzile); Scheme B (Qoboqobo-A&B, Somana, Gobe-D, Bhombotho, Kwa-Tuwa, Seku); Scheme C (Xhobani, eSijungqwini, Hlangani-A, Thembani, Mantetyeni, Kwa-Thala, Manzana-A, Matshona-AA, Mafusini-M, Hlangani-B); Scheme D (Sigangala).
Ibeka Water Supply Project	6,881,690.23	6,651,687.78	Pipeline traversing at the private property (Mr Bikitsha), ADM still applied for road	The current project is for bulk contract only as ADM still have applied to MIG for reticulation. The bulk contract is currently sub-divided into

Project Name	Budget	Expenditure	Challenges	Progress To Date / Comments
			reserve determination from the Department of Roads and Transport before compensation negotiations can start with Mr Bikitsha.	two Schemes, (Scheme A) is 75% complete and Scheme B bulk line to Centane to be awarded before end of March 2010.
Teko Housing Engineering Services	14,285,876.00	9,655,649.53	Funding shortfall to do all three (3) villages. Also is delayed due to water source availability.	The project was for the provision of roads, sanitation & water at Rarayo, Nkeleketho & Teko Springs. Roads & Sanitation has been done and water project still waiting for the Ibika bulk line to Centane. Only one village will be done base on the available budget (Rarayo).
Demand Management System	1,400,000.00	696,017.49		Contractor has appointed and has started working with zonal meters at Butterworth.
Ngcizelle Water Supply Project	4,343,844.60	629,706.79		On design.
Gcuwa West Water Project	-	-		Service Provider has been appointed to do the feasibility study and business plan.
Ngqamakhwe Regional Water Supply	600,000			Feasibility study to be submitted before end March 2010 for funding application.
Bawa Falls Water Supply Project	-	-		Still to appoint Service Provider to prepare feasibility study/business plan for funding.
Nxaxo and Cebe Water Supply	-	-	This is also plan to cover Godidi Village.	Still to appoint Service Provider to prepare feasibility study/business plan for funding.
<hr/>				
Tyinirha Water Supply	-	-	After long delays, Eskom has finally connected last year. Needs additional funds to commissioning the scheme as some of the valves had ceased/damaged.	Additional funds applied internally (ADM) to commission the scheme.
Rwantsana Water Supply	4,755,305.31	4,569,637.13	Eskom box was vandalized at the pump station by the Community and still waiting to be repaired by Eskom before commissioning the scheme.	Eskom has planned to install steel meter box to mitigate the vandalism, once this has been done then ADM will be able to commission the project.
Zizamele Sewerage Reticulation Phase 2	-	-		To apply MIG/ADM funding.
Area Wide Sanitation Projects	-	-		Waiting for MIG funding approval. (Applied in phases as required by DWAF).

2.3 Progress towards Achieving LED Objectives

The information gathering process took place during the last financial year. There was an extensive research programme undertaken by the Research Unit of the Institution. However, the institution managed to identify High Impact LED projects for the Municipal area. These include:

- a. Bawa Falls development as a tourist attraction area
- b. Gcuwa Dam development famously known Butterworth waterfront development
- c. Ndabakazi was identified as a development node and there are LED projects that were identified for the development of the area. Cultural village, filing station and a mini shopping centre are projects that were identified for the area.
- d. Kei Bridge development and
- e. Skin tanning

The municipality is in the process to manage land disposal issues and getting private sector partnerships through appropriate legislation.

The Municipality through the District Municipality received Grant fund for township rejuvenation. ASPIRE is the implementing agent of the District Municipality and there has been no progress both in terms of spending as well as implementation in General. The LED programme called Butterworth Urban Renewal is intended to facelift the image of the town and was funded by the Amathole District municipality. The District was running the programme until Mnquma local municipality complained about poor progress. It was then agreed that because there was no capacity in the ADM, the programme should be handed over to ASPIRE (ADM implementing agent), but progress is still limited.

The Municipality, working with the stakeholders developed economic vision 2025 (Master Plan) for the Municipality and was adopted by council. DBSA contributed with a grant fund of R1000 000 to assist in the development of vision 2025. Agricultural strategy was developed and adopted by council.

The institution managed to set up LED unit but some vacancies could not be filled due financial constraints. The LED Manager is in place with only two officials reporting to him. LED interns were also employed to give more support. The Expertise on LED was available but not entirely adequate as mentioned above.

The LED Forum was not in place but the Institution had regular meetings with all its strategic partners in development. In the financial year, the municipality did not get any grant funding except only those mentioned above.

The Municipality has, in the last financial year basically engaged in development of systems and structures that would ensure the advancement of economic development. This exercise was at times carried out with the assistance of our partners- notably Aspire.

- **Spatial Development Framework and Land Use Management Systems**
The development of the abovementioned plans has been successfully completed under the auspices of Infrastructure Planning and development and we are currently looking forward to the development of local SDF and the relevant regulations
- **Strategic Environmental Assessment-** Along with SDF the Municipality has facilitated the development of SEA in order to be able to guide its economic activities towards those undertakings that are sensitive to the environment.
- **Development of Master plan**
A Masterplan covering a period of 15 years and the intentions of which is to give direction and provide vision for economic development, has been developed.

The intention is to develop means and ways to make it amenable to stay, work and play in Mnquma area. The Masterplan has also been linked to the development of the **N2 Corridor Strategy and the Agricultural Strategy** which have just been completed and the **LED Strategy** which is in the process of being developed.

- **Red Tape Reduction**
The Municipality is currently participating in the Red Tape Reduction process being driven by the District Municipality. This process has since stalled but indications are that it is going to be revived soon.
- **Investment and Trading Bylaws**
The Municipality, being aware of its limited capacity to attract investment had established partnership with Hluma Economic Development Agency, an entity established jointly by Old Mutual and DBSA to trigger investment in the coastal Municipalities that are in the former Transkei Area.

Some several other partnerships, notably with Wiphold, WSU etc have been established.

While the Municipality is struggling to develop relevant bylaws, it has embarked on Service Level Agreements and Memoranda of Agreements with various sector departments to ensure the regulation of economic activities.

- **Provision and Maintenance of quality and reliable Infrastructure**
The Municipality, through its Infrastructure Planning and Development Directorate is developing a network of access roads to ensure mobility of people and goods.
The information and communication technology is being advanced through participation of many stakeholders including the various spheres of government.

Though market opportunities were identified, development of market places was shelved for the following year i.e. 2009/10.

- **Disaster Management**- This is the competence of Community services and will appear in that part of the report.

b. Exploit comparative and competitive advantage for industrial activities

- **Manufacturing Infrastructure** –Butterworth town was rendered a manufacturing by the government of the erstwhile Republic of Transkei with a resultant manufacturing infrastructure albeit obsolete and dilapidated due to misuse/abuse. The intention is to revive this infrastructure.
- **Location Factor** – Butterworth is sitting astride N2 between Mthatha and East London in close proximity to the markets in East London and transportation network i.e. the port and the airport. Mnquma is situated along the Wildcoast enjoying a pristine seaboard stretch of approx. 45 Kms with a significant number of natural river estuaries. This augurs well both for tourism and deep-sea fishing. Butterworth has also found itself, at times, by default playing the role of regional capital for such towns as Dutywa, Willowvale, Centane, Ngqamakhwe, Tsomo and Ngcobo.
- **Climate**- The climate is relatively mild with summer temperatures ranging between 9 and 33 degrees Celsius, winter temperatures between 4 and 25 degrees Celsius, rainfall along the coast 600-800mm and inland 500-600mm. This has enabled the area to engage in diverse agricultural activities from field crop farming, cash crop, fruit trees and animal husbandry.

c. Intensify Enterprise support and business development

- The concentration of development has focussed on informal sector. Several various trainings were conducted. There was no strategy for the SMME development
- No new partnerships were established during the year. All efforts were geared towards strengthening the existing partnerships. There was no strategy for the establishment of partnerships
- No dedicated person to look into the SMME affairs
- The Agricultural Development Strategy has expressed the intentions of the Municipality to develop agri-BEE.

d. Support Social investment program

In order to ensure socio-economic growth the Municipality has engaged in the following activities:

- **Skills development and Capacity Building**- For purpose of skills

development and re-skilling the municipality has gone into partnership with institutions of higher learning viz. WSU and King Hintsia FET. In partnership with the Youth Commission, ECDC and the District Municipality, a Youth Skills Development Centre was established in Butterworth. The Municipality has also identified sites for establishment of Small Businesses Development Centres both in Centane and Ngqamakhwe.

- **Establishment of Cooperatives** – In cooperation with sector departments (DEAT and DEDEA) and the District Municipality, the process of establishing cooperatives was initiated.
- **Participation in Surudec** - A program driven by Ruliv on behalf of the Office of The Premier, this is about sustainable rural development. This was a program meant to deal with poverty alleviation.
- **Partnership with Wiphold** – This partnership, referred to elsewhere in this report, resulted in the establishment of Kwa-Drabo trust, an investment vehicle which saw the community having shares in such companies as MTN, Vodacom, Old Mutual and other high-flying companies and investment houses.

Challenges regarding LED strategy implementation

No clear direction – As indicated elsewhere, the LED strategy was not there to give direction to the LED operations.

Capacity of the Unit – The Unit lacked the requisite capacity in terms of staffing and skills for the better part of the year.

Inadequate Budget – There was not enough budget provision internally as a result the Unit had to most of the time seek external funding



MNQUMA LOCAL MUNICIPALITY

**ANNUAL REPORT
FOR THE YEAR ENDED 30 JUNE 2009**

CHAPTER 3 HUMAN RESOURCES DEVELOPMENT AND ORGANISATIONAL MANAGEMENT

3.1 General Overview of Structure of the Municipality

Mnquma Local Municipality's human resource establishment is divided into two parts: The Political arm and the Administration arm.

3.1.1 The Political Arm

The political arm has two legs: the Executive and the Legislature. The Legislative aspect of the political arm is led by the Council Speaker. The Executive is headed by the Executive Mayor who appointed ten members as his Mayoral Committee to assist him in taking decisions. Six of the ten members are full time Executive Committee Members (MMCs) and four are part time. The following portfolios had been created and each portfolio is headed by a Member of the Mayoral Committee:

No	Mayoral Committee Members	Portfolio from July 2008 – December 2008	Portfolio from December 2008 – June 2009
1.	Cllr M Duna	Executive Mayor	-
2.	Cllr W M Ntongana	Portfolio Head: Infrastructural Planning & Development	Executive Mayor
3.	Cllr M.W Ntenjwa	Council Speaker	-
4.	Cllr G.M Faniso	Portfolio Head : Community Services	Council Speaker
5.	Cllr M Mapazi	Portfolio Head Infrastructure Planning and Development t	
6.	Cllr N Makhabane	Portfolio Head: Budget and Treasury Office	
7.	Cllr N Mashiyi	Portfolio Head: Corporate Services	
8.	Cllr C.K Mpelusa	Portfolio Head: Communications & Community Participation	Portfolio Head: Communications & Community Participation and Community Services
9.	Cllr N Dube	Portfolio Head: Housing	-
10.	Cllr L Mpangele	-	Portfolio Head: Housing
11.	Cllr Z Mlokoti	Portfolio Head: Sector Departments	-
12.	Cllr M Tyhala	Council Chief Whip	Council Chief Whip Portfolio Head: Sector Departments
13.	Cllr N Sibini	Portfolio Head: Water and Sanitation	-
14.	Cllr T Xhongwana	-	Portfolio Head: Water and Sanitation

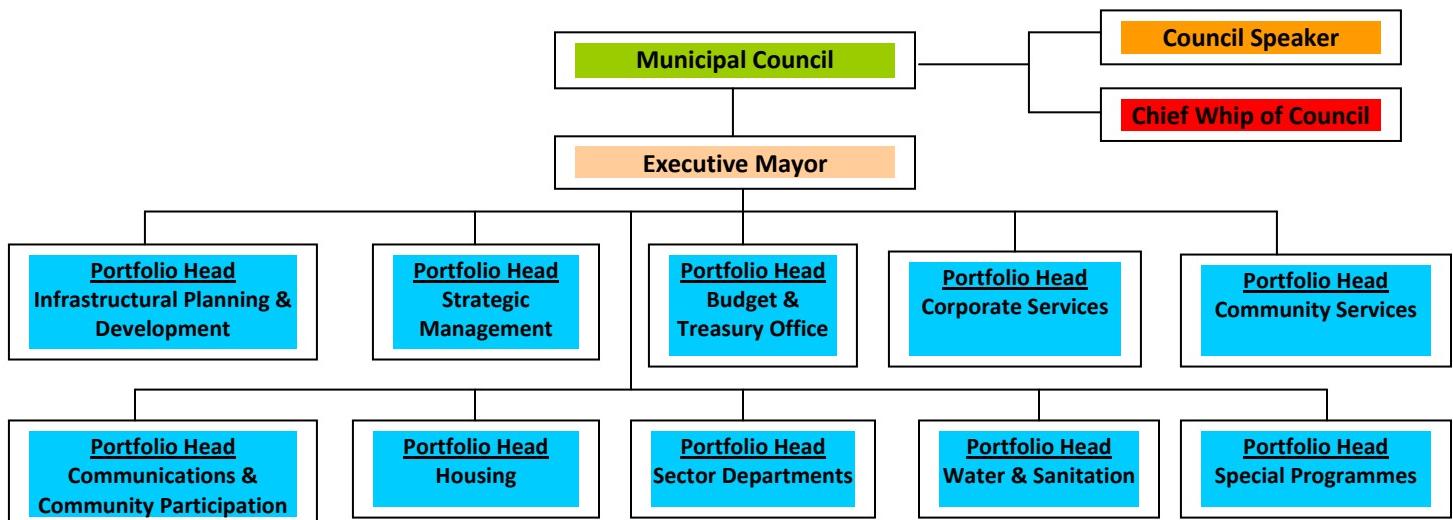
15.	Cllr M Zimba	Portfolio Head: SPU Programs	Portfolio Head: Strategic Management
16.	Cllr N Lwana	-	Portfolio Head: SPU Programs

3.1.2 The Municipal Administration

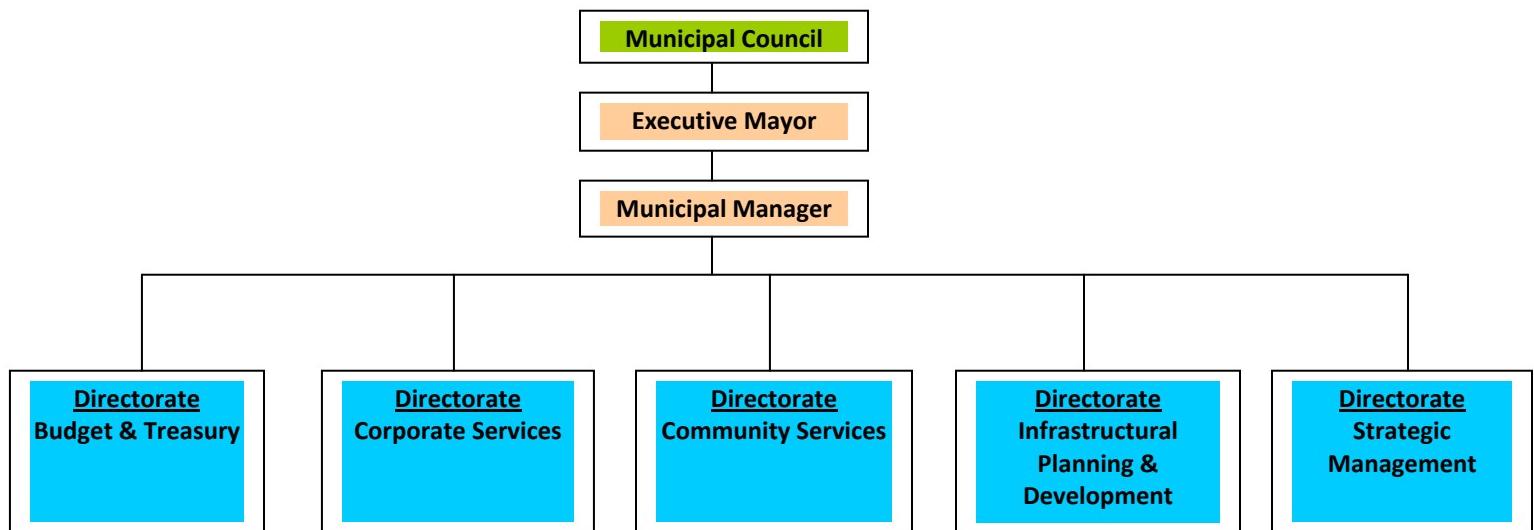
The administration arm is led by the Municipal Manager. The following are the various directorates and the heads of those directorates.

No	Management Member	Directorate / Office	Designation
1.	Mr. N Pakade	Municipal Manager's Office	Municipal Manager
2.	Mrs. N Ntshanga	Budget and Treasury	Chief Financial Officer
3.	Mrs. N Boya	Corporate Services	Director
4.	Mr. M Mtalo	Community Services	Director
5.	Mr. S Tantsi	Strategic Management	Director
6.	Mr. Z H Ngovela	Infrastructural Development and Planning	Director

3.1.3 The Organisational Structure – Political Structure



3.1.4 The Organisational Structure – Administration



3.2 Breakdown of Posts per Directorate / Office

Directorate / Office	Position Title	Number of Posts Filled	Number Vacant
Office of the Speaker	Office Manager	1	0
	Secretary	1	0
	Senior Community Participation Officer	1	1
	Senior Administration Officer	1	0
	Community Participation Officers	6	3
	Messenger / Driver	1	0
Total – Office of the Speaker		11	5
Office of the Executive Mayor	Office Manager	1	0
	Secretary	1	0
	Administrative Assistants	2	1
	Messenger / Driver	2	1
	Events Management Officer	1	0
	Special Programs Unit Officer	1	0
	Media Liaison Officer	1	1
Total – Office of the Executive Mayor		9	4
Office of the Municipal Manager	Municipal Manager	1	0
	Office Manager	1	1
	Personal Assistant	1	0
	Administrative Assistant	1	0
	Legal Advisor	1	0
	Internal Audit Manager	1	0
	Internal Audit Assistants	2	2
Total – Office of the Municipal Manager		8	3

Directorate / Office	Position Title	Number of Posts	Number Filled	Number Vacant
Directorate Strategic Management	Director	1	1	0
	Secretary	1	1	0
	PMS Manager	1	0	1
	IDP Manager	1	1	0
	LED Manager	1	1	0
	Research Manager	1	1	0
	Municipal Relations Manager	1	1	0
	SMME Officer	1	0	1
	Tourism Officer	1	1	0
	Agricultural Officer	1	1	0
	Administrative Assistants	3	1	2
	Research Officer	2	0	2
	Research Assistant	1	0	1
	Inter-municipal & Inter-governmental Relations Officer	1	0	1
	International Relations Officer	1	0	1
	Communications & Marketing Officer	1	0	1
Total – Strategic Management		19	09	10
Budget & Treasury Office	Director (Chief Financial Officer)	1	1	0
	Secretary	1	1	0
	Chief Accountants	2	2	0
	Manager: Supply Chain Management Accountants	1	1	0
	Demand & Acquisition Officer	3	3	0
	Logistics & Contract Management Officer	1	0	1
	Asset Management Officer	1	1	0
	Fleet Control Officer	1	1	0
	Administrative Assistants	6	3	3

Directorate / Office	Position Title	Number of Posts	Number Filled	Number Vacant
	Stores Controller	1	1	0
	Accounting Clerks	2	0	2
	Salaries Administrators	2	2	0
	Expenditure Clerks	3	3	0
	Controller	1	1	0
	Junior Accountants	4	3	1
	Debtors Clerks	10	4	6
	Cashiers	11	8	3
	General Assistants	2	1	1
Total: Budget and Treasury Office		54	36	18
Directorate Corporate Services	Director	1	1	0
	Secretary	1	1	0
Division – Administration	Administration Manager	1	1	0
	Administration Officer – Office Services	1	1	0
	Customer Care Officer	1	1	0
	Senior Committee Secretary	1	1	0
	Registry Officer	1	1	0
	Administrator: Centane	1	1	0
	Administrator: Ngqamakhwe	1	1	0
	Thusong Centre Manager	1	1	0
	Receptionists	4	2	2
	Switchboard Operators	3	2	1
	Administrative Assistants	4	1	3
	Customer Care Operators	6	0	6
	Committee Secretaries	5	3	2
	Registry Assistants	3	1	2
	Office Cleaners	30	23	7
	Messenger/Drivers	4	4	0

Directorate / Office	Position Title	Number of Posts	Number Filled	Number Vacant
Division: Human Resources	Reprographic Assistants	2	2	0
	Hall Caretakers	12	2	10
	Human Resources Manager	1	0	1
	Administrative Assistants	2	0	2
	Personnel Administration & Organizational Design Practitioner	1	1	0
	Skills Development Facilitator	1	1	0
	Employee Relations Practitioner	1	1	0
	Employee Wellness Officer	1	0	1
	Safety, Health and Environmental Health Practitioner	1	1	0
	Human Resources Systems Administrator	2	1	1
Division: Information & Communication Technology	Administrative Assistants	4	0	4
	Information and Communication Technology Manager	1	1	0
	Systems Administrators	2	0	2
	Network Administrators	2	0	2
Total: Corporate Services Directorate		102	56	46
Directorate Community Services	Director	1	1	0
	Secretary	1	1	0
Division: Cleansing and Environmental Services	Manager: Environmental & Cleansing Services	1	0	1
	Chief Cleansing Officer	1	1	0
	Chief Environmental Officer	1	1	0
	Cleansing Superintendent	1	1	0
	Supervisors	6	2	4
	Senior Nature Conservation Officer	1	0	1
	Nature Conservation Officers	2	0	2
	Drivers	9	5	4

Directorate / Office	Position Title	Number of Posts	Number Filled	Number Vacant
Division: Safety and Security	General Workers	100	54	46
	Trimmers / Mower Operators	10	7	3
	Manager: Safety & Security	1	1	0
	Chief Emergency Officer	1	0	1
	Administrative Assistant	1	0	1
	Disaster Management Officer	1	0	1
	Station Commanders	3	0	3
	Assessment Officers	3	0	3
	Commanders	9	0	9
	Fire and Rescue Officers	20	0	20
	Traffic Controller	1	1	0
	Principal Traffic Officers	3	0	3
	Senior Traffic Officers	6	2	4
	Traffic Officers	20	13	7
Division: Library Services	Senior Traffic Warden	1	1	0
	Traffic Warders	4	3	1
	Pound Master	1	0	1
	Rangers	4	0	4
	Pounding Aids	6	0	6
	Chief Security Officer	1	0	1
	Principal Security Officers	4	4	0
	Security Guards	40	39	1
	Peace Officers	12	0	12
	Chief Librarian	1	1	0
Directorate: Infrastructure Development and Planning	Librarians	7	1	6
	Library Assistants	2	1	1
	Total: Community Services	286	140	146
	Director	1	0	1

Directorate / Office	Position Title	Number of Posts	Number Filled	Number Vacant
Division: Roads and Public Works	Secretary	1	0	1
	Engineering Manager: Roads & Public Works	1	0	1
	Electrical Engineer	1	0	1
	Electrical Technicians	3	0	3
	Manager: Project Management Unit	1	1	0
	Project Engineer	1	0	1
	Engineering Assistant	1	1	0
	Administrative Assistant	1	1	0
	Engineering Superintendent	1	0	1
	Public Works & Roads Technician	8	0	8
	General Foreman	3	1	2
	Master Operator	1	0	1
	Machine / Plant Operators	8	3	5
	Team Leaders	8	0	8
	Drivers	7	4	3
	Cab Layers	4	1	3
	General Assistants	48	35	13
Division: Building, Planning & Housing	Manager: Building, Planning & Housing	1	0	1
	Administrative Assistants	2	1	1
	Building Superintendent	1	1	0
	Building Inspectors	6	2	4
	Drivers	2	1	1
	Artisans	6	1	5
	General Assistants	10	6	4
	Planner	1	1	0
	Land Surveyor	1	0	1
	Valuer	1	0	1
	Technicians	3	0	3

Directorate / Office	Position Title	Number of Posts	Number Filled	Number Vacant
	Quantity Surveyor	1	0	1
	Housing Administration Officer	1	1	0
	Land Administration Officer	1	1	0
	Social Facilitators	2	0	2
Division: Mechanical Workshop	Senior Superintendent: Mechanical Workshop	1	1	0
	Administrative Assistant	1	1	0
	Senior Mechanics	2	0	2
	Mechanics	2	0	2
	Auto-Electrician	1	0	1
	Handyman	2	1	1
	General Assistants	8	1	7
Total: Infrastructural Development & Planning		155	66	89

3.3 Summary of Posts per Directorate and/or Office and Breakdown according to Equity

Employee Category	No of Employees	Directorate / Office: Office of the Speaker				Age	Disabled
		Gender	Males	Females	18 – 35	36 – 45	46 – 55
Total Number of Employees							
Strategic (MSA Section 57)	6	5	00	00	00	00	00
Tactical (Post Grade 14 to 15)	00	00	00	00	00	00	00

Directorate / Office: Office of the Speaker						
Employee Category	Gender			Age		
	No of Employees	Males	Females	18 – 35	36 – 45	46 – 55
Total Number of Employees						
Filled						
Vacant						
11	6	5	00	00	00	00
Specialised (Post Grade 9 to 13)		00	00	00	00	00
Discretionary (Post Grade 4 to 8)		05	03	02	02	00
Basic (Post Grade 1 to 3)		00	00	00	00	00
TOTAL	05	03	02	02	02	01

Directorate / Office: Office of the Executive Mayor						
Employee Category	Gender			Age		
	No of Employees	Males	Females	18 – 35	36 – 45	46 – 55
Total Number of Employees						
Filled						
Vacant						
09	04	05	00	00	00	00
Strategic (MSA Section 57)		01	01	00	01	00
Tactical (Post Grade 14 to 15)		02	01	01	01	00
Specialised (Post Grade 9 to 13)		01	00	01	01	00
Discretionary (Post Grade 4 to 8)		00	00	00	00	00
Basic		00	00	00	00	00

Directorate / Office: Office of the Executive Mayor					
		Gender		Age	
Employee Category	No of Employees	Males	Females	18 – 35	36 – 45
Total Number of Employees					
09	04	05			
(Post Grade 1 to 3)					
TOTAL	04	02		02	00

Directorate / Office: Office of the Municipal Manager					
		Gender		Age	
Employee Category	No of Employees	Males	Females	18 – 35	36 – 45
Total Number of Employees					
08	04	04			
Strategic (MSA Section 57)					
08	04	04			
Tactical (Post Grade 14 to 15)					
00	00	00			
Specialised (Post Grade 9 to 13)					
02	00	02			
Discretionary (Post Grade 4 to 8)					
00	00	00			
Basic (Post Grade 1 to 3)					
00	00	00			
TOTAL	04	02		01	00

Directorate and/or Office: Strategic Management Directorate						
Employee Category	No of Employees	Gender		Age		
		Males	Females	18 – 35	36 – 45	46 – 55
Total Number of Employees						
Filled	05					
Vacant	14					
Strategic (MSA Section 57)		01	01	00	01	00
Tactical (Post Grade 14 to 15)		01	01	00	01	00
Specialised (Post Grade 9 to 13)		02	01	01	00	01
Discretionary (Post Grade 4 to 8)		01	00	01	00	00
Basic (Post Grade 1 to 3)		00	00	00	00	00
TOTAL	05	03	02	02	01	00

Employee Category		Directorate / Office: Budget & Treasury Office		Age	
		Gender		18 - 35	36 - 45
Total Number of Employees	No of Employees	Males	Females	46 - 55	56 - 65
54	30	24			
Strategic (MSA Section 57)		01	00	01	00
Tactical (Post Grade 14 to 15)		01	00	01	00
Specialised (Post Grade 9 to 13)		07	02	05	02
Discretionary (Post Grade 4 to 8)		21	06	15	09
Basic (Post Grade 1 to 3)		00	00	00	00
TOTAL	30	08	22	13	05
				02	02

Directorate and/or Office: Corporate Services Directorate						
Employee Category	No of Employees	Gender		Age		
		Males	Females	18 – 35	36 – 45	46 – 55
Total Number of Employees						
101	54	47				
Strategic (MSA Section 57)	01	00	01	00	01	00
Tactical (Post Grade 14 to 15)	02	01	01	01	00	00
Specialised (Post Grade 9 to 13)	14	08	06	07	02	05
Discretionary (Post Grade 4 to 8)	16	04	12	06	04	06
Basic (Post Grade 1 to 3)	21	05	16	02	09	06
TOTAL	54	18	36	16	16	17
					05	00

Directorate and/or Office: Community Services Directorate						
Employee Category	No of Employees	Gender		Age		
		Males	Females	18 - 35	36 - 45	46 - 55
Total Number of Employees						
286	133	153				
Strategic (MSA Section 57)	01	01	00	00	01	00
Tactical (Post Grade 14 to 15)	01	01	00	00	01	00
Specialised (Post Grade 9 to 13)	25	21	04	01	11	08
Discretionary (Post Grade 4 to 8)	40	38	02	07	19	10
Basic (Post Grade 1 to 3)	66	44	22	08	13	26
TOTAL	133	105	28	16	44	45
					28	00

Directorate and/or Office: Infrastructural Development & Planning Directorate				Age			
Employee Category		No of Employees	Gender	18 – 35	36 – 45	46 – 55	56 – 65
Total Number of Employees	Filled	Vacant					Disabled
155	77	78					
Strategic (MSA Section 57)	01	01	00	00	01	00	00
Tactical (Post Grade 14 to 15)	00	00	00	00	00	00	00
Specialised (Post Grade 9 to 13)	07	07	00	00	01	05	01
Discretionary (Post Grade 4 to 8)	14	11	03	01	02	05	06
Basic (Post Grade 1 to 3)	56	55	01	07	08	20	21
TOTAL	77	73	04	08	11	30	28
							00

3.4 Payments made in relation to Medical Aid (2008/2009 Financial Year)

MONTH	BONITAS	MUNIMED	LA HEALTH	SAMWUMED
	R	R	R	R
Jul-08	89,204.00	54,309.40	18,207.00	35,340.00
Aug-08	96,556.00	31,434.50	19,697.80	35,590.00
Sep-08	103,007.00	44,711.00	19,697.80	35,404.40
Oct-08	101,653.00	46,194.00	196,697.80	48,675.41
Nov-08	93,512.00	45,885.00	18,360.00	43,082.20
Dec-08	91,442.00	45,885.00	18,361.04	43,082.20
Jan-09	130,039.00	40,167.60	17,927.20	47,098.20
Feb-09	126,327.00	38,621.60	17,876.20	47,098.20
Mar-09	125,403.00	38,621.20	17,876.20	47,098.20
Apr-09	120,019.00	39,697.40	20,341.20	47,098.20
May-09	128,897.00	39,697.40	17,876.20	46,946.80
Jun-09	140,852.00	35,968.40	18,779.00	47,676.80
TOTALS	1,346,911.00	501,192.50	401,697.44	524,190.61
GRAND TOTAL		2,773,991.55		

3.5 Payments made to the Pension Funds for the Financial Year ending 30 June 2009

Month	Cape Joint Pension Fund	Cape Joint Retirement Fund	Nat Fund For Municipal Workers	SAMWU Nat. Prov.	Mun. Counc. Pen
	R	R	R	R	R
Jul-08	103,534.94	16,392.25	123,030.13	210,614.11	165,081.57
Aug-08	0	0	272,738.69	0	0
Sep-08	103,534.94	16,392.25	122,196.81	210,614.11	174,564.98
Oct-08	0	0	271,872.01	0	0
Nov-08	103,534.94	16,392.25	268,132.31	210,614.11	174,564.98
Dec-08	96,665.43	16,392.25	107,767.38	203,456.57	172,101.00

Month	Cape Joint Pension Fund	Cape Joint Retirement Fund	Nat Fund For Municipal Workers	SAMWU Nat. Prov.	Mun. Counc. Pen
Jan-09	0	0	257,959.29	0	0
Feb-09	96,665.43	16,392.25	259,164.39	201,086.22	172,221.70
Mar-09	95,165.78	16,392.25	251,043.34	201,086.22	172,221.70
Apr-09	96,267.73	16,647.07	96,644.57	195,350.46	187,665.89
May-09	0	0	250,408.41	0	0
Jun-09	96,267.73	16,872.29	95,022.26	194,448.84	187,665.89
TOTALS	791,636.92	131,872.86	2,375,979.59	1,627,270.64	1,406,087.71
GRAND TOTALS	6,332,847.72				

3.6 Training Conducted as at 30 June 2009

Training intervention	Date	Internal / External	No of Councillors / Ward Committees	No of Officials	Total Number Trained
Disciplinary Enquiry	July 2008	External		8	8
Municipal Admin & Records Management		External			
OHS Orientation and induction	Aug 2008	External		1	1
Statistically Capacity Building for sustainable development		External		3	3
Fleet Management		External		2	2
Good Governance & Financial Management		External	1	3	4
Job Description				4	4
Budget Framework	12 Sept 2008	Internal	1	26	27
Waste Reduction & Management		External		2	2
Skills Audit Techniques		External		1	1
Creditors Course		External		8	8
Labour Relations Workshop		External		2	2
Policy Development		External		2	2
Principles of Budgeting and Reporting Cycle	20 – 30 Oct 2008	External		2	2

Training intervention	Date	Internal / External	No of Councillors / Ward Committees	No of Officials	Total Number Trained
Induction of Ward Committees	06 October 2008	Internal	70 Ward Committees		70
Gamap/Grap Course	27-28 Nov 2008	External		2	2
Essential Leadership		External		1	1
Information Knowledge & Management				1	1
Debt Recovery	10 – 11 July 2008	External		5	5
Stores and Creditors	31 July to 1 st Aug 2008	External		8	8
Effective Office Management		External		4	4
Job Description Writing Workshop	30 Sept 2008	Internal		7	7
Records Management Workshop	01 – 05 Sept 2008	External		43	43
Project Management		External		9	9
Gamap		External		5	5
Risk Management Workshop	06 Feb 2009	Internal	2	22	24
Basic Computer Course	Feb to May 2009	External		4	4
Employment Equity Programme		External		1	1
Local Government Training		External	4		4
Executive Leadership Development Programme	2008/2009	External	1	2	3
PMS Workshop Corporate Services	27 May 2009	Internal		13	13
BTO & Corporate Services Policies Workshop	8 May 2009	Internal	22	18	40
PMS Workshop	12 June 2009	Internal		14	14
Sustainable Human Development Programme		External		2	2
Capacity Building		External	1	1	2
Advanced Fleet Management		External		2	2
Risk Management	22 – 26 June	External		18	18

Training intervention	Date	Internal / External	No of Councillors / Ward Committees	No of Officials	Total Number Trained
Plan	2009				
Law Enforcement	29 June -3 rd July 2009	External		9	9



MNQUMA LOCAL MUNICIPALITY

**ANNUAL REPORT
FOR THE YEAR ENDED 30 JUNE 2009**

CHAPTER 4 AUDITED STATEMENTS AND RELATED FINANCIAL INFORMATION

4.1 Audited Annual Financial Statements for the Year Ended 30 June 2009



AUDITED ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

(MEDIUM MUNICIPALITY)

Contact information:

Name of Municipality Manager:

N. Pakade

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Name of Chief Financial Officer:

N. Ntshanga

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Contact e-mail address:

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Name of relevant Auditor:

The Office of the Auditor General – East London

Contact telephone number:

+2743 709 7200

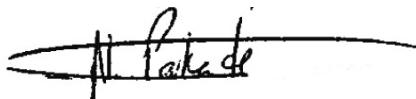
Contact e-mail address:

ngqwalas@agsa.co.za

MNQUMA LOCAL MUNICIPALITY
AUDITED ANNUAL FINANCIAL STATEMENTS
for the year ended
30 June 2009

I am responsible for the preparation of these annual financial statements, which are set out on pages 2 to 41, in terms of Section 126(1) of the Municipal Finance Management Act and which I have signed on behalf of the Municipality.

I certify that the salaries, allowances and benefits of Councillors (how about loans made to Councillors, if any, and payments made to Councillors for loss of office, if any) as disclosed in note 21 of these annual financial statements are within the upper limits of the framework envisaged in Section 219 of the Constitution, read with the Remuneration of Public Officer Bearers Act and the Minister of Provincial and Local Government's determination in accordance with this Act.



27-11-2009

N. PAKADE
Municipal Manager

Date

MNQUMA LOCAL MUNICIPALITY
STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2009

	Note	2009 R	2008 R
NET ASSETS AND LIABILITIES			
Net assets		114,399,070	100,916,057
Accumulated Surplus		114,399,070	100,916,057
Non-current liabilities		2,077,620	515,925
Long-term liabilities	1	2,077,620	515,925
Current liabilities		31,230,446	35,642,581
Consumer deposits	2	-	317,227
Provisions	3	2,322,500	5,352,353
Creditors	4	13,144,362	8,653,166
Unspent conditional grants and receipts	5	9,395,080	14,549,876
Bank overdraft	12	5,753,720	6,525,846
Current portion of long-term liabilities	1	614,784	244,113
Total Net Assets and Liabilities		<u>147,707,136</u>	<u>137,074,562</u>
ASSETS			
Non-current assets		124,310,692	85,644,013
Property, plant and equipment	6	123,979,456	85,371,090
Investments	7	331,236	272,923
Current assets		23,396,444	51,430,549
Inventory	8	1,816,337	2,119,159
Consumer debtors	9	13,404,481	31,115,663
Other debtors	10	776,453	1,889,114
Call investment deposits	11	-	-
Bank balances and cash	12	7,399,173	16,306,613
Total Assets		<u>147,707,136</u>	<u>137,074,562</u>

MNQUMA LOCAL MUNICIPALITY
STATEMENT OF FINANCIAL PERFORMANCE
FOR THE YEAR ENDED 30th JUNE 2009

	Note	2009 R	2008 R
REVENUE			
Property rates	13	28,975,966	18,252,435
Service charges	14	6,745,494	4,543,196
Rental of facilities and equipment	15	2,977,348	3,064,669
Interest earned – external investments	16	1,323,644	1,118,328
Interest earned – outstanding debtors	16	1,122,437	2,898,570
Fines		976,135	356,318
Licences and permits	17	1,962,782	1,711,095
Government grants and subsidies	18	106,329,564	70,886,446
Other income	19	451 124	561,073
Disposal of consumer deposits		317, 227	-
Gains on disposal of property, plant and equipment		-	28,251
Reversal of Staff loan Provisions		73,137	-
Total Revenue		151,254,859	103,420,381
EXPENDITURE			
Employee related costs	20	52,103,372	41,531,205
Remuneration of Councillors	21	13,949,832	14,072,840
Bad Debts		43,925,553	-
Depreciation		-	5,050,774
Provisions for landfill site	3	2 322 500	
Repairs and maintenance	22	3,407,405	1,741,064
Finance costs	23	744,533	350,612
Bulk purchases	24	2,456,986	87,961
General expenses	25	13,083,360	18,204,178
Operating projects	26	5,778,305	-
Loss on disposal of property, plant and equipment		-	283,984
Total Expenditure		137 771 846	81,322,617
SURPLUS FOR THE YEAR		13 483 013	22,097,764

Refer to Appendix E(1) for the comparison with the approved budget

MNQUMA LOCAL MUNICIPALITY

STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 30 JUNE 2009

	Pre-GAMAP Old Reserves And Funds R	Government Grant Reserve R	Capitalisation Reserve R	Public Contribution Reserve R	Donations and Accumulated Surplus/ (Deficit) R	Total R
2008	-	6,565,669	-	-	105,957,062	112,522,731
Surplus/(deficit) for the year	-	-	-	-	22,097,764	22,097,764
Capital grants used to purchase PPE	-	22,867,861	-	-	(22,867,861)	-
Donated/contributed PPE	-	-	-	-	-	-
Offsetting of depreciation	-	(7,000,292)	-	-	7,000,292	-
Balance at 1 July 2007	-	22 433 238	-	-	112 187 257	134 620 495
2009						
Correction of error (Note 27)		(22,433,238)			(11,271,200)	(33,704,438)
Restated balance	-	-	-	-	100,916,057	100,916,057
Surplus/(deficit) for the year	-	-	-	-	13 483 013	13 483 013
Capital grants used to purchase PPE	-	-	-	-	-	-
Donated/contributed PPE	-	-	-	-	-	-
Asset disposals	-	-	-	-	-	-
Offsetting of depreciation	-	-	-	-	-	-
Balance at 30 June 2009	-	-	-	-	114 399 070	114 399 070

MNQUMA LOCAL MUNICIPALITY
CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2009

	Note	2009 R	2008 R
CASH FLOW FROM OPERATING ACTIVITIES			
Cash receipts from ratepayers, government and other		170,078,702	85,804,331
Cash paid to suppliers and employees		(142,058,815)	(73,785,430)
Cash generated from/(utilized in) operations	28	28,019,887	12,018,901
Interest received		1,323,644	1,118,328
Interest paid		(744,533)	(350,612)
NET CASH FROM OPERATING ACTIVITIES		28,598,997	12,786,617
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment		(38,608,363)	(13,527,867)
Proceeds on disposal of property, plant and equipment		-	178,382
Increase in non-current investments		(58,313)	(272,923)
NET CASH FROM INVESTING ACTIVITIES		(38,666,676)	(13,622,407)
CASH FLOWS FROM FINANCING ACTIVITIES			
New loans raised/(repaid)		1,932,366	631,941
NET CASH FROM FINANCING ACTIVITIES		1,932,366	631,941
NET DECREASE IN CASH AND CASH EQUIVALENTS		(8,135,313)	(203,230)
Cash and cash equivalents at the beginning of the year		9,780,768	9,984,617
Cash and cash equivalents at the end of the year	29	1,645,455	9,780,768

MNQUMA LOCAL MUNICIPALITY
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2009

1.PRESENTATION OF FINANCIAL STATEMENT

1.1 Basis of preparation

The annual financial statements have been prepared in accordance with the standards of Generally Recognised Accounting Practices (GRAP).

1.2 Exemptions taken according to Directive 4 – Transitional Provisions for Medium and Low Capacity Municipalities.

The following are the principle accounting policies affected by the Directive 4 which are, in all material respects, consistent with the deviation in applying some standards of Generally Recognised Accounting Practices (GRAP).

a) GRAP 19 –Provisions, Contingent Liabilities and Contingent Assets

The municipality opted to take advantage of the transitional provisions as contained in Directive 4 of the Accounting Standards Board, issued in February 2008. The municipality did not measure the following provisions, contingent liabilities or contingent assets. Similarly as per directive 4 the Municipality has not complied with the presentation and disclosure requirements of GRAP 19.

The municipality is currently in a process of identifying all provisions which must be measured in terms of GRAP 19 and it is expected that this process will be completed for inclusion in the 2011 financial statements.

b) GRAP 100 –Non-current assets and discontinued operations

The municipality opted to take advantage of the transitional provisions as contained in Directive 4 of the Accounting Standards Board, issued in February 2008. The municipality did not recognize non-current assets held for sale and discontinued operations relating to Inventories, Investment Properties, Property, Plant and Equipment, Agriculture and Intangible Assets which are not recognised in terms of the transitional provisions relating to those standards.

c) GRAP 17 –Property, Plant and Equipment

The Municipality has taken an advantage of the transitional provisions set out in Directive 4. As the Municipality has taken advantage of GRAP 17 transitional provision regarding the recognition of Property Plant and Equipment. This transitional provision is still available in terms of Directive 4. Furthermore the Municipality has taken advantage of the measurement of transitional provision of

MNQUMA LOCAL MUNICIPALITY
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2009 (continued)

Directive 4 and further more presentation and disclosure transitional provisions set out in the said Directive.

This transitional provision impact on the measurement; recognition and disclosure of following classes of Property Plant and Equipment:

Land and Building
Infrastructure Assets
Community Assets
Heritage Assets
Other

GRAP 17 –Property, Plant and Equipment (Continued)

The Municipality is in the process of identifying and itemizing all infrastructure and community assets and other property, plant and equipment and will recalculate depreciation once this exercise has been completed by 30 June 2011. At present no depreciation on these assets has been calculated refer accounting policy note 5.1.

- Review of useful life of item of PPE recognized in the Annual Financial Statements.
- Review of the depreciation method applied to PPE recognized in the Annual Financial Statements.
- Impairment of non-cash generating assets.

d) GRAP 16 – Investment Properties

The municipality opted to take advantage of the transitional provisions as contained in Directive 4 of the Accounting Standards Board, issued in February 2008. The municipality did not measure the Investment Properties, including land for undetermined use and property plant and Equipment held for capital appreciation or rental income. Similarly the municipality has taken advantage of presentation and disclosure of transitional provision in Directive4

The municipality is currently in a process of issuing tender to be assisted in identifying all Investment Properties and have it valued in terms of GRAP 16 and it is expected that this process will be completed for inclusion in the subsequent financial statements.

e) GRAP 102 – Intangible Assets

The municipality opted to take advantage of the transitional provisions as contained in Directive 4 of the Accounting Standards Board, issued in February

MNQUMA LOCAL MUNICIPALITY
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2009 (continued)

2008. The municipality did not measure all the Intangible Assets in accordance with the standard, including the following:

- *Computer Software;*

Intangible assets financed by way of finance leases;

Intangible assets transferred as a result of the transfer of functions; and Servitudes.

The municipality is currently in a process of issuing tender to be assisted in identifying all Intangible Assets and have it valued in terms of GRAP 102 and it is expected that this process will be completed for inclusion in the 2011 financial statements. It is possible that certain intangible assets are currently being recognized as Property, Plant and Equipment.

f) GRAP 12 – Inventories

The municipality opted to take advantage of the transitional provisions as contained in Directive 4 of the Accounting Standards Board, issued in February 2008. The municipality did not measure the following inventories:

- Stationeries, Maintenance materials and Cleaning materials
- Land held for sale; and any other inventory item.

The municipality is currently in a process of identifying all inventories which must be measured in terms of GRAP 12 and it is expected that this process will be completed for inclusion in the subsequent financial statements.

2. PRESENTATION CURRENCY

These annual financial statements are presented in South African Rand.

3. GOING CONCERN ASSUMPTION

These annual financial statements have been prepared on a going concern basis.

4. RESERVES

The municipality opted to take advantage of the transitional provisions as contained in Directive 4 of the Accounting Standards Board, issued in February 2008. The municipality did not recognise non-current assets held for sale and discontinued operations relating to

MNQUMA LOCAL MUNICIPALITY
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2009 (continued)

- Investment Properties,
- Property, Plant and Equipment, Agriculture and
- Intangible Assets,

which are not recognised in terms of the transitional provisions relating to those standards as a result the following reserves have not been created:

- *Government Grant Reserve*
- *Donations and Public Contributions Reserve*
- *Revaluation Reserves*

5. PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment, is stated at cost and no accumulated depreciation has been taken into account. Heritage assets, which are culturally significant resources and which are shown at cost, are not depreciated owing to the uncertainty regarding their estimated useful lives.

5.1 Depreciation of Property, Plant and Equipment

Depreciation is not calculated on the basis of transitional provision taken advantage of Directive 4.

The gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

5.2 Disposal of Property, Plant and Equipment

The gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance

5.3 Incomplete Construction Work

Incomplete construction work is stated at historic costs. Depreciation only commences when the asset is commissioned into use.

MNQUMA LOCAL MUNICIPALITY
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2009 (continued)

6. INVENTORIES

Consumable stores, raw materials, work-in-progress and finished goods are not measured as the Municipality has taken an advantage of the Directive 4 stated in note 1.1 (e).

Inventories purchased during the financial year are disclosed at cost in the notes.

7. ACCOUNTS RECEIVABLE

Accounts receivable are carried at anticipated realisable value. An estimate is made for doubtful receivables based on a review of all outstanding amounts at year-end. Bad debts are written off during the year in which they are identified

8. TRADE CREDITORS

Trade creditors are stated at their nominal value.

9. REVENUErecognition

Revenue is derived from a variety of sources which include rates levied, grants from other tiers of government and revenue from trading activities and other services provided.

Revenue is recognised when it is probable that future economic benefits or service potential will flow to the Economic entity and these benefits can be measured reliable and also the following conditions are satisfied:

- *the amount of revenue can be measured reliably,*
- *it is probable that the economic benefits or service potential associated with the transaction will flow to the entity,*
- *the stage of completion of the transaction at the reporting date can be measured reliably, and*
- *the costs incurred for the transaction and the costs to complete the transaction can be measured reliably.*

10.1 Revenue from Rates

Revenue from rates is recognised when the legal entitlement to this revenue arises. Collection charges are recognised when such amounts are legally

MNQUMA LOCAL MUNICIPALITY
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2009 (continued)

enforceable. A composite rating system charging one tariff is employed. Rebates are granted to certain categories of rate payers.

10.2 Service Charges

Service charges relating to refuse removal are recognized on a monthly basis in arrears by applying the approved tariff to each property. The domestic charge is a fixed service charge and the business charge is based on the type of refuse bin and frequency of removal.

10.3 Fines

Income in respect of spot fines and summonses is recognized when received.

10.4 Rentals

Rentals are recognised on a time proportion basis.

10.5 Approved Tariff of Charges

Revenue arising from the approved tariff of charges is recognized when the relative service is rendered by applying the relevant approved tariff. This includes the issuing of licenses and permits.

10.6 Interest on Investments

Interest earned on investments is recognised in the Statement of Financial Performance on a time proportionate basis that takes into account the effective yield on the investment.

10.7 Sale of Goods

Revenue from the sale of goods is recognised when the risk is passed to the consumer. Revenue from the sale of goods shall be recognised when all the following conditions have been satisfied:

- *the entity has transferred to the purchaser the significant risks and rewards of ownership of the goods,*
- *the entity retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold,*

**MNQUMA LOCAL MUNICIPALITY
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2009 (continued)**

- *the amount of revenue can be measured reliably,*
- *it is probable that the economic benefits or service potential associated with the transaction will flow to the entity, and*
- *the costs incurred or to be incurred in respect of the transaction can be measured reliably.*

10.8 Interest on Outstanding Debtors

Interest on outstanding debtors is recognised on a time proportionate basis and is charged only on refuse outstanding debtors older than 30 days.

10.9 Donations and Contributions

Donations are recognised on a cash receipt basis or where the donation or contribution is in the form of property, plant and equipment, when such items of property, plant and equipment are brought into use.

9. Recovery of Unauthorised, Irregular, Fruitless and Wasteful Expenditure

Revenue from the recovery of unauthorised, irregular, fruitless and wasteful expenditure is based on legislated procedures, including those set out in the Municipal Finance Management Act (Act No.56 of 2003) and is recognised when the recovery thereof from the responsible councillors or officials is virtually certain.

11. CONDITIONAL GRANTS AND RECEIPTS

Revenue received from conditional grants, donations and funding are recognised as revenue to the extent that the Municipality has complied with any of the criteria, conditions or obligations embodied in the agreement. To the extent that the criteria, conditions or obligations have not been met a liability is recognised.

MNQUMA LOCAL MUNICIPALITY
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2009 (continued)

13. CASH AND CASH EQUIVALENTS

Cash includes cash on hand and cash with banks. Cash equivalents are short-term highly liquid investments that are held with registered banking institutions with maturities of three months or less and are subject to an insignificant risk of change in value.

For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand, deposits held on call with banks and investments in financial instruments, net of bank overdrafts.

Bank overdrafts are recorded based on the facility utilised. Finance charges on bank overdraft are expensed as incurred.

14. RETIREMENT BENEFITS

The municipality provides retirement benefits for its employees and councillors. The contributions to fund obligations for the payment of retirement benefits are charged against revenue in the year they become payable. The defined benefit funds, which are administered on a provincial basis, are actuarially valued triennially on the projected unit credit method basis.

15. UNAUTHORISED EXPENDITURE

Unauthorised expenditure is expenditure that has not been budgeted, expenditure that is not in terms of the conditions of an allocation received from another sphere of government, municipality or organ of state and expenditure in the form of a grant that is not permitted in terms of the Municipal Finance Management Act (Act No.56 of 2003). Unauthorised expenditure is accounted for as an expense in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

16. IRREGULAR EXPENDITURE

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No.56 of 2003), the Municipal Systems Act (Act No.32 of 2000), and the Public Office Bearers Act (Act No. 20 of 1998) or is in contravention of the Municipality's supply chain management policy. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure in the Statement of Financial Performance and

MNQUMA LOCAL MUNICIPALITY
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2009 (continued)

where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

17. FRUITLESS AND WASTEFUL EXPENDITURE

Fruitless and wasteful expenditure is expenditure that was made in vain and would have been avoided had reasonable care been exercised. Fruitless and wasteful expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

18. COMPARATIVE INFORMATION

18.1 Current year comparatives:

Budgeted amounts have been included in the annual financial statements for the current financial year only.

18.2 Prior year comparatives:

When the presentation or classification of items in the annual financial statements is amended, prior period comparative amounts are reclassified. The nature and reason for the reclassification is disclosed.

19. LEASES

Leases are classified as finance leases where substantially all risks and rewards associated with ownership of an asset are transferred to the economic entity.

Property Plant and Equipment subject to finance lease agreements are recorded at their cost equivalent and the corresponding liabilities are raised. The cost of the item of Property Plant and Equipment is depreciated at appropriate rates on the straight line basis over the estimated useful life.

Lease interest payments are allocated between the lease finance costs and capital repayment using the effective interest rate method. Lease interests are expensed when incurred

Operating leases are those leases which do not fall within the scope of the above definition. Operating lease rentals are expensed as they become due.

20. VALUE ADDED TAX

The municipality accounts for value added tax on the payment basis.

**MNQUMA LOCAL MUNICIPALITY
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2009 (continued)**

21. UNSPENT CONDITIONAL GRANTS

Unutilized conditional grants are reflected on the statement of financial position as a creditor –utilized conditional grants. They represent unspent government grants, subsidies and contributions from the public.

The following conditions are set for the creation and utilization of these creditors:

- The cash which backs the creditor is invested until it is utilized
- Interest earned on the investment is treated in accordance with grant conditions.
- If it is payable to the funder is recorded as part of the creditor
- If it is the Municipality's interest it is recognized as interest earned in the statement of financial performance
- Whenever an item of Property Plant and Equipment is purchased from a creditor –utilized conditional grants, an amount equal to the purchase price is transferred from the creditor to operating account on the statement of financial performance as revenue
- Whenever a non-asset is purchased from creditor an amount equal to the purchase price is transferred from the creditor to the operating account on the statement of financial performance to offset the expenditure which was expensed through the operating account.

22. FINANCIAL INSTRUMENTS

Classification

The Municipality classifies financial assets and financial liabilities into the following categories:

- Financial assets at fair value through surplus or deficit – held for trading
- Loans and receivables

Classification depends on the purpose for which the financial instruments were obtained / incurred and takes place at initial recognition. Classification is re-assessed on an annual basis, except for derivatives and financial assets designated as at fair value through surplus or deficit, which shall not be classified out of the fair value through surplus or deficit category.

Initial recognition and measurement

Financial instruments are recognized initially when the Municipality becomes a party to the contractual provisions of the instruments.

MNQUMA LOCAL MUNICIPALITY
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2009 (continued)

The Municipality classifies financial instrument, or their component parts, on initial recognition as a financial asset, a financial liability or equity instrument in accordance with the substance of the contractual arrangement.

Financial instruments are measured initially at fair value, except for the equity investments for which a fair value is not determinable, which are measured at cost and are classified as available for sale financial assets.

For financial instruments which are not at fair value through surplus or deficit, transaction costs are included in the initial measurement of the instrument. Transaction costs on financial instruments at fair value through surplus or deficit are recognized in profit or loss.

Subsequent measurement

Financial instruments at fair value through surplus or deficit are subsequently measured at fair value, with gains and losses arising from changes in fair value being included in surplus or deficit for the period.

Net gains or losses on the financial instruments at fair value through surplus or deficit exclude dividends and interest.

Loans and receivables are subsequently measured at amortised cost, using the effective interest method.

Financial liabilities at amortized cost are subsequently measured at amortized cost, using the effective interest method.

Fair value determination

The fair values of quoted investments are based on current bid prices. If the market for a financial asset is not active (and for unlisted securities), the Municipality establishes fair value by using valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, and option pricing models making maximum use of market inputs and relying as little as possible on entity-specific inputs.

Impairment of financial assets

At each end of the reporting period the municipality assesses all the financial assets, other than those at fair value through surplus or deficit, to determine

MNQUMA LOCAL MUNICIPALITY
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2009 (continued)

whether there is objective evidence that a financial asset or group of assets has been impaired.

For amounts due to the municipality, significant financial difficulties of a debtor, probability that the debtor will enter bankruptcy and default of payments are all considered indicators of impairment.

Impairment losses are recognized in surplus or deficit.

Impairment losses are reversed when an increase in the financial asset's recoverable amount can be related objectively to an event occurring after the impairment was recognized, subject to the restriction that the carrying amount of the financial asset at the date that the impairment is reversed shall not exceed what the carrying amount would have been had the impairment not been recognized.

Where financial assets are impaired through use of an allowable account, the amount of the loss is recognized in surplus or deficit within operating expenses. When such assets are written off, the write-off is made against the relevant allowable account. Subsequent recoveries of amounts previously written off are credited against operating expenses.

Trade and other receivables

The carrying amount of the asset is reduced through the use of an allowable account, and the amount of the deficit is recognized in surplus or deficit within operating expenses. When a trade receivable is uncollectable, it is written off against the allowance account for the trade and receivables. Subsequent recoveries of amounts previously written off are credited against expenses in surplus or deficit. Trade and other receivables are classified as loans and receivables.

When the benefits of a plan are improved, the portion of the increased benefit relating to the past service by employees is recognized in the Statement of Financial Performance on a straight-line basis over the average period until the benefits become vested. When the benefits become vested, the expense is recognized immediately in the Statement of Financial Performance. Receivables are tested for impairment based on historical payment trends and known financial difficulties regarding debtors.

MNQUMA LOCAL MUNICIPALITY
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2009 (continued)

Trade and other payables

Trade payables are initially measured at fair value, and are subsequently measured at amortized cost, using the effective interest rate method.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. These are initially and subsequently recorded at fair value.

Bank overdraft and borrowings

Bank overdrafts and borrowings are initially measured at fair value, and are subsequently measured at amortized cost, using the effective interest rate method. Any difference between the proceeds (net of transaction costs) and the settlement or redemption of borrowings is recognized over the term of the borrowings in accordance with the municipality's accounting policy for borrowing costs.

Gains and losses

A gain or loss arising from a change in a financial asset or financial liability is recognized as follows:

- A gain or loss on a financial asset or financial liability classified at fair value through surplus or deficit is recognized in surplus or deficit,
- For financial assets and financial liabilities carried at amortized cost, a gain or loss is recognized in surplus or deficit when the financial asset or financial liability is derecognized or impaired, and through the amortization process.

Derecognition

Financial assets

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognized where;

- The rights to receive cash flows from the asset have expired;
- The municipality retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a 'pass through' arrangement; or
- The municipality has transferred its rights to receive cash flows from the asset and either
 - has transferred substantially all the risks and rewards of the asset, or

MNQUMA LOCAL MUNICIPALITY
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2009 (continued)

- - has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

Where the municipality has transferred its rights to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognized to the extent of the municipality's continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the municipality could be required to repay. Where continuing involvement takes the form of a written and/or purchased option (including a cash-settled option or similar provision) on a transferred asset, the extent of the municipality's continuing involvement is the amount of the transferred asset that the municipality may repurchase, except that in the case of a written put option (including a cash-settled option or similar provision) on an asset measured at fair value, the extent of the municipality's continuing involvement is limited to the lower of the fair value of the transferred asset and the option exercise price.

Financial liabilities

A financial liability is derecognized when the obligation under the liability is discharged, cancelled or expires. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognized in surplus or deficit.

Impairment of financial assets

The municipality assesses at each statement of financial position date whether a financial asset or group of financial assets is impaired.

Assets are carried at amortized cost.

If there is objective evidence that an impairment loss on loans and receivables carried at amortised cost have been incurred the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). The carrying amount of the asset shall be reduced either directly or through the use of an allowance account. The amount of the loss shall be recognized in surplus or deficit. The municipality

MNQUMA LOCAL MUNICIPALITY
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2009 (continued)

first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. If it is determined that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, the asset is included in a group of financial assets with similar credit risk characteristics and that group of financial assets is collectively assessed for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognized are not included in a collective assessment of impairment.

MNQUMA LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

		2009 R	2008 R
1. LONG TERM LIABILITY			
Meeg Bank Finance Lease		1 413 490	760 038
Toyota Finance Lease		1 278 913	-
Total loans		2 692 404	760 038
Less : Current portion transferred to current liabilities		(614 784)	(244113)
Total External Loans		2 077 620	515 925
Finance Lease Liability	Minimum Lease payment R	Future Finance Charge R	Present Value of minimum lease payment R
Amounts payable under finance lease			
within One year	845,663	230,879	614,784
Within Two to five years	2,529,664	452,044	2 077 620
	3,375,327	682,923	2 692 404
Less amount due for settlement within 12 months (current portion)			(614,784)
			2 077 620

Meeg Bank : Tractors & Trailers

Liability under finance lease agreement payable in monthly installments of R 6 185 & R 2 814 over a period of 3 years at an interest rate of 2.5 % below prime per year. The lease is secured over the asset acquired.

Meeg Bank : Quantum & 2x Twin Cabs

Liability under finance lease agreement payable in monthly instalments of R 5 986 & R13 334 over a period of 5 years at an interest rate of 2.5 % below prime per year. The lease is secured over the asset acquired.

Toyota Finance : 8X Vehicles

Operating Leases	Minimum Lease payment R	Future Finance Charge R	Present Value of minimum lease payment R
Amounts payable under Operating lease			
within One year	620,614	-	620,614.86
Within Two to five years	1,813,872	-	1,813,872.00
	2,434,486	-	2,434,486
Less amount due for settlement within 12 months (current portion)			620,614
			1,813,872

2. CONSUMER DEPOSITS

	2009 R	2008 R
Water	-	317 227
Total Consumer Deposits	_____	317 227

Consumer debtors have been written off as there was a transfer of water function to Amathole District Municipality.

3. PROVISIONS

3 rd party Staff loan deduction	-	2,301,449
Workman's Compensation	-	3,050,904
Landfill Site	2,322,500	-
Total Provisions	2,322,500	5,352,353

The municipality operates land fill site in Butterworth; it is approximately at 5224 square meters .The municipality has no permit to operate the site but Municipality's intention will go out on tender in 2009/2010 to determine the actual provision of rehabilitation of the site and its closure.

2009	2008
R	R

4. CREDITORS

Trade creditors	314 954	237 524
Accruals (include all accruals e.g. PAYE & SDL)	3 937 400	3 376 545
Staff leave provision	5 497 682	5 039 097
3 rd party Staff loan deduction	2 228 312	-
Workman's Compensation	3 430 910	-
Unidentified deposits	107 712	-
Motor registration	11 065	-
Salary control account	(2 679 549)	-
Prodiba	56 168	-
Cash Suspense deposit	239 709	-
	13 144 362	8 653 166

5. UNSPENT CONDITIONAL GRANTS AND RECEIPTS

These amounts are invested in a ring-fenced investment until utilized.

Conditional grants from spheres of govt.	5 768 551	10 343 923
Other conditional grants	3 626 529	4 205 953
	9 395 080	14 549 876

These amounts are invested in ring-fenced investments until utilized.

6. PROPERTY, PLANT AND EQUIPMENT

30 June 2009

Reconciliation of Carrying Value	<u>Land and Buildings</u>	<u>Infra-structure</u>	<u>Community</u>	<u>Heritage</u>	<u>Other</u>	<u>Total</u>
	R	R	R	R	R	R
	11 496 098	61 802 016	462 663	-	11 610 313	85 371 090
Carrying values						
At 1 July 2008						
Cost	11 496 098	61 802 016	462 663	-	11 610 313	85 371 090
Correction of error (note 27)	-	-	-	-	-	-
Accumulated depreciation	-	-	-	-	-	-
Acquisitions	887 179	32 320 435	204 687	-	5 196 065	38 608 366
Capital under Construction	-	-	-	-	-	-
Depreciation	-	-	-	-	-	-
Carrying value of disposals	-	-	-	-	-	-
Cost	-	-	-	-	-	-
Accumulated depreciation	-	-	-	-	-	-
Impairment losses	-	-	-	-	-	-
Other movements	-	-	-	-	-	-
Carrying values						
At 30 June 2009						
Cost	12 383 277	66 548 177	667 350	-	16 806 378	123 979 453
Accumulated depreciation	-	94 122 449	667 350	-	16 806 378	123 979 456
Carrying values						
At 1 July 2007						
Cost	11 496 098	49 599 059	424 986	-	12 083 628	73 603 771
Correction of error (note 27)	5 052 129	49 176 489	424 986	-	12 083 628	66 737 232
Accumulated depreciation	6 443 969	422 570	-	-	-	6 866 539
Acquisitions	-	12 202 958	37 677	-	1 287 233	13 527 867
Capital under Construction	-	-	-	-	-	-
Depreciation	-	-	-	-	-	-
Carrying value of disposals	-	-	-	-	(1 760 548)	(1 760 548)
Cost	-	-	-	-	(1 760 548)	(1 760 548)
Accumulated depreciation	-	-	-	-	-	-
Impairment losses	-	-	-	-	-	-
Other movements	-	-	-	-	-	-
Carrying values						
At 30 June 2008						
Cost	11 496 098	61 802 016	462 663	-	11 610 313	85 371 090
Accumulated depreciation	-	61 802 016	462 663	-	11 610 313	85 371 090

Refer to Appendix B for more detail on property, plant and equipment.

	2009	2008
7. INVESTMENTS		
Fixed Deposit	331 236	272 923
	<u>331 236</u>	<u>272 923</u>

A fixed deposit has been invested with Meeg Bank and is maturing in 2011.

8. INVENTORY

Consumable stores – at cost	1 898 766	2 201 577
Less: Obsolete stock	(82 418)	(82 418)
Total Inventory	<u>1 816 337</u>	<u>2 119 159</u>

Included in the Consumable stores are Stationeries, Maintenance materials and Cleaning materials

9. CONSUMER DEBTORS

As at 30 June 2009	Gross Balances R	Provision for Bad Debts R	Net Balance R
Service debtors			
Rates	39 442 894	(29 292 292)	10 150 601
Refuse	13 623 412	(12 128 756)	1 494 656
Fire Levy	3 670 626	(3 083 283)	587 343
Rental	6 312 602	(5 140 722)	1 171 880
Capitalized Debtors	114 120 518	-	114 120 518
	(114 120		(114 120
Capitalization written off	<u>518)</u>	<u>-</u>	<u>518)</u>
Total	<u>63 049 534</u>	<u>(49 645 053)</u>	<u>13 404 481</u>

	Gross Balances	Provision for Bad Debts	Net Balance
	R	R	R
As at 30 June 2008			
Service debtors			
Rates	20 776 212	(16 088 696)	4 687 516
Refuse	8 242 904	(7 031 853)	1 211 051
Fire Levy	1 354 146	(881 241)	472 905
Rental	3 735 404	(2 909 779)	825 625
		(105 493)	23 918
Capitalized Debtors	129 412 052	457)	595
		(132 405	31 115
Total	163 520 718	026)	693
		2009	2008
		R	R

CONSUMER DEBTORS (Continued)

Old Balances of pre-June 2006 were ring-fenced
 Out of Age Analysis but not written off and are now
 Transferred back from provision for Bad Debts.
 These balances are termed Capitalised debtors

Rates: Ageing

Current (0 – 30 days)	8 092 094	1 457 364
31 – 60 Days	1 032 291	1 383 703
61 – 90 Days	1 026 214	1 846 448
91 – 120 Days	1 001 978	1 113 151
121 – 365 Days	1 003 241	915 058
+ 365 Days	27 287 074	14 060 488
Total	39 442 893	20 776 212

(Refuse removal, fire levy & Rentals:

Ageing)

Current (0 – 30 days)	1 514 944	1 110 620
31 – 60 Days	814 518	1 071 053
61 – 90 Days	924 417	1 062 114
91 – 120 Days	1 104 639	696 227
121 – 365 Days	911 318	974 230
+ 365 Days	18 336 803	8 271 174
Total	23 606 641	13 185 418

2009	2008
R	R

10. OTHER DEBTORS

VAT refundable	719 565	1 889 114
Transaction fees	42 988	-
R/D cheque	13 900	
	776 453	1 889 114

11. CALL INVESTMENT DEPOSITS

Call accounts deposits	-	-
	<hr/>	<hr/>

No Fixed deposits have been ring-fenced for the purposes of repaying long-term liabilities as set out in Note 31.

BANK, CASH AND OVERDRAFT

12. BALANCES

1.CALL INVESTMENT DEPOSITS

282 Houses Bank)	(Meeg	911 476 7898			23 376		22 552
312 Houses Bank)	(Meeg	911 476 7092			506 651		478 723
32 day notice	FNB	7400 3845 333			8 581		7 873
ADM Water Services Bank)	(Meeg	913 926 0732			43 177		40 924
Centane Planning Bank)	(Meeg	911 579 4620			163 324		154 321
Centane Survey Bank)	(Meeg	911 579 4117			107 633		101 700
DEAT Bank)	(Meeg	922 387 5382			1 133 113		-
DHLGTA Bank)	(Meeg	919 097 4465			147 307		941 744
Drought Relief Bank)	(Meeg	913 817 4956			122 348		115 630
Equitable share Bank)	(Meeg	919 078 1547			12 508		2 545 045
FMG Bank)	(Meeg	911 579 4329			10 595		221 243
Free Basic Services Bank)	(Meeg	909 361 7635			11 524		109 655

General Valuation Bank)	(Meeg	911 579 2563			97 620		92 239
IDP / LDO Planning Bank)	(Meeg	907 583 8035			20 773		125 797
IEC Bank)	(Meeg	908 448 4108			34 455		-
LGSETA Bank)	(Meeg	919 078 2959			5 858		5 742
MIG Investment Bank)	(Meeg	914 403 7019			1 282 702		7 830 035
Mnquma call Account Bank)	(Meeg	908 448 4108			2 161 554		172 869
MSIG Bank)	(Meeg	916 208 4523			49 073		256 889
MSP Bank)	(Meeg	913 925 7919			45 491		43 117
Nqamakhwe Planning Bank)	(Meeg	911 579 4620			470		29
Nqamakhwe Survey Bank)	(Meeg	911 579 3420			121 575		114 873
Pilot Housing Bank)	(Meeg	906 548 3694			42 111		39 962
Preparation of Zoning Scheme Bank)	(Meeg	919 077 8855			33 871		206 888
Primary Health Bank)	(Meeg	911 476 8886			15 274		47 684
Siyanda Planning Phase 2 bank)	(Meeg	911 579 1761			105 724		99 896
Siyanda Survey Phase 2 bank)	(Meeg	911 579 0781			434 621		410 663
T/A Intervention Bank)	(Meeg	911 287 7265			277 934		1 322 348
Grand Total					7 019 245		15 409 440

	2009 R	2008 R
BANK, CASH AND OVERDRAFT BALANCES (Continued)		
Current Account (Primary Bank Account)		
Meeg Bank -Butterworth Branch:		
Account Number 40 – 52 732 025		
Cash book balance at beginning of year – overdrawn	(6 525 846)	(3 600 021)
Cash book balance at end of year – overdrawn	<u>(5 182 526)</u>	<u>(6 525 846)</u>
Bank statement balance at beginning of year	(2 714 031)	523
Bank statement balance at end of year – (overdrawn)	<u>659</u>	(3 608 788)
	<u>(6 525 846)</u>	<u>(2 714 031)</u>

**Current Account / Traffic Account
(61 185 023 789)**

Cash book balance at beginning of year	897 173	694 378
Cash book balance at end of year	<u>379 928</u>	897 173
Bank statement balance at beginning of year	-	-
Bank statement balance at end of year	838 082	694 378
	<u>356 500</u>	838 082
TOTAL OVERDRAFT BALANCE	<u>(5 753 720)</u>	<u>(6 525 846)</u>

13. PROPERTY RATES

Actual

Residential, Commercial and State Total Assessment Rates	28 975 966	18 252 435
	<u>28 975 966</u>	<u>18 252 435</u>

Valuations

	<u>July 2009</u>	<u>July 2008</u>
	<u>R</u>	<u>R</u>
Residential	1 592 359 612	-
	114 699	-
Commercial	012	114 699 012
Total Property Valuations	1 707 058 624	<u>114 699 012</u>

Valuations on land and buildings are performed every five years. The last valuation came into effect on 1 July 2006. Interim valuations are processed on an annual basis to take into account changes in individual property values due to alterations and subdivisions. A general rate of R0.02 (2008: R0.02) is applied to property valuations to determine assessment rates. Rebates of 20% are granted to residential and state property owners. Rates are levied on an annual basis on property owners. There is no interest charged on rate.

2009	2008
R	R

14. SERVICE CHARGES

Refuse removal	4 348 944	3 318 717
Fire Levy	2 396 550	1 224 479
Total Service Charges	6 745 494	4 543 196

15. RENTAL OF FACILITIES AND EQUIPMENT

Flats rentals	2 891 830	2 984 419
Hall rental	85 518	77 100
Caravan Storage	-	3 150
	2 977 348	3 064 669

16. INTEREST EARNED

External Investments	1 323 644	1 118 328
Outstanding debtors	1 122 437	2 898 570
	2 446 081	4 016 898

17. LICENCES AND PERMITS

Licences	1 798 971	1 385 819
Licences – Prodiba	7 829	8 863
Parking Meter fees	2 378	5 809
Permits and other charges	72 632	141 728
Registrations	80 973	102 877
Transaction fees	-	66 000
	1 962 782	1 711 096

18. GOVERNMENT GRANTS AND SUBSIDIES

Equitable share	68 823 854	53 918 761
MIG Grant	31 294 722	11 861 428
MSIP Grant	1 054 477	1 153 391
FMG Grant	764 904	842 392
Other Grants and Subsidies	4 391 607	3 110 474
	106 329	564
Total Government Grant and Subsidies	70 886 446	

18.1 Equitable Share

In terms of the Constitution, this grant is used to subsidize the provision of basic services to indigent community members. All registered indigents receive a monthly subsidy of R 7 326 (2007: R7 213) which is funded from this grant.

	2009 R	2008 R
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GOVERNMENT GRANTS AND SUBSIDIES (Cont.)

18.2 MIG Grant

Balance unspent at beginning of year	10 343 923	7 549 874
Current year receipts	26 719 349	14 655 477
	(31 294)	
Conditions met – transferred to revenue	<u>722)</u>	<u>(11 861 428)</u>
Conditions still to be met – transferred to liabilities (see note 5)	<u>5 768 550</u>	<u>10 343 923</u>

The Grant is intended to:

- Provide capital finance for basic Municipal infrastructure, rehabilitation and upgrading of Municipal infrastructure.

18.3 Other Grants

Balance unspent at beginning of year	4 168 964	3 992 911
Current year receipts	6 210 988	3 164 000
Conditions met – transferred to revenue	<u>(6 753 422)</u>	<u>(2 950 958)</u>
Conditions still to be met – transferred to liabilities (see note 5)	<u>3 626 530</u>	<u>4 205 953</u>

18.4 Changes in levels of government grants

Based on the allocations set out in the Division of Revenue Act, (Act No. 1 of 2007 & Gazette No 29763), no significant changes in the level of government grant funding are expected over the forthcoming 3 financial years.

19. OTHER INCOME	2009	2008
	R	R
Building Plans	23 326	51 840
Business license	19 526	-
Caravan storage	921	-
Cemetery fees	19 896	21 890
Commissions	156 712	105 970
Donation	7 000	-
Eskom Levy	-	296 418
Library fees	5 830	15 662
Plant Hire & Photocopies	2 768	1 896
Sundry receipts	90 421	-
Tendering fees	124 724	67 400
Total Other Income	451 124	561 076

20. EMPLOYEE RELATED COSTS	2009	2008
	R	R
Employee related costs – Salaries and Wages	39 045 704	32 858 643
Employee related costs – Contributions for		
UIF, pensions and medical aids	7 451 903	6 142 356
Travel, motor car, accommodation,		
subsistence and other allowances	3 472 453	2 102 110
Housing benefits and allowances	1 502 971	143 978
Overtime payments	630 341	284 118
Less: Employee costs included in other		
expenses	-	-
Total Employee Related Costs	52 103 372	41 531 205

<i>Remuneration of the Municipal Manager</i>	2009	2008
	R	R
Annual Remuneration		
Performance Bonuses	-	117 014
Car Allowance	100 904	91 648
Cell phone Allowance	24 462	22 218
Contributions to UIF, Medical and Pension		
Funds	-	1 399
Total	769 526	817 349

<i>Remuneration of the Chief Finance Officer</i>	2009	2008
	R	R
Annual Remuneration	317 345	344 790

Performance Bonuses		68 958
Acting allowance	-	11 831
Car Allowance	102 737	77 413
Cell phone Allowance	14 550	9 383
Contributions to UIF, Medical and Pension Funds	124 946	69 435
Total	559 578	581 810

Remuneration of the Corporate Services

Annual Remuneration	512 104	417 999
Performance Bonuses	-	83 600
Back Pay	-	18 972
Car Allowance	101 682	89 066
Cell phone Allowance	7 815	6 846
Contributions to UIF, Medical and Pension Funds	-	1 399
Total	621 601	617 882

Remuneration of Individual Executive Directors

	<u>Legal Advisor</u> R	<u>Infrastructure Services</u> R	<u>Strategic Management</u> R	<u>Community Services</u> R
30 June 2009				
Annual Remuneration	318 299	559 578	335 747	506 323
Performance Bonuses	-	-	-	-
Car allowance	126 000	-	96 000	107 463
Computer Allowances	4 200	-	-	7 815
Cell phone Allowances	24 000	-	31 180	-
Medical and pension funds	145 504	-	96 652	-
	618 003	559 578	559 578	621 601

Remuneration of Individual Executive Directors(Continued)

	<u>Legal Advisor</u> R	<u>Technical Services</u> R	<u>Strategic Management</u> R	<u>Community Services</u> R
30 June 2008				
Annual Remuneration	-	313 843	476 950	372 144
Performance Bonuses	-	62 769	95 390	74 429
Back Pay	-	18 983	-	17 826
Car Allowances	-	58 614	-	86 492
Cell phone Allowances	-	8 452	-	12 956
Medical and pension funds	-	1 050	-	1 283
Total	-	463 711	572 340	565 129

	2009 R	2008 R
21. REMUNERATION OF COUNCILLORS		
Executive Mayor & mayoral committee	2 461 525	356 160
Speaker & councilors	5 507 945	7 911 109
Administration: Mayor's & Speaker offices	-	558 752
Councilors' pension contribution	1 750 792	1 456 595
Other Allowances	<u>4 229 570</u>	<u>3 790 224</u>
	13 949	
Total Councilors' Remuneration	<u>832</u>	<u>14 072 840</u>

In-kind Benefits

The Executive Mayor, Deputy Executive Mayor, Speaker and Executive Committee Members are full-time. Each is provided with an office and secretarial support at the cost of the Council.

22. REPAIRS AND MAINTENANCE

Building & Installations	221 958	383 998
Bulk Infrastructure	282	1 252 744
Computers & Main cables	6 740	-
Computers & Main cables	72 640	148 821
Equipment & Vehicles	880 835	601 145
Furniture, Equipment & Machines	16 995	12 740
Side walks	3 319	-
Streets & roads	535 578	-
Streets: Road Marking	33 795	-
Upgrading of traffic lights	140 705	-
Town Streets repairs – Centane	121 287	-
Tools & Equipment	116 037	18 461
Books	<u>4 771</u>	-
Grand Total	<u>3 407 404</u>	<u>1 741 065</u>

2009	2008
R	R

23. FINANCE COSTS

Long overdue accounts	255 274	285 849
Bank overdrafts	135 128	64 762
Finance charges on long term loans	354 132	-
Total Interest on External Borrowings	<u>744 534</u>	<u>350 612</u>

24. BULK PURCHASES

Electricity – for indigents	2456 985	87 961
Total Bulk Purchases	<u>2 456 985</u>	<u>87 961</u>

25. GENERAL EXPENSES

Included in general expenses are the following:-

General expenses	13 083	18 204 178
	<u>360</u>	<u>18 204 178</u>

26. OPERATING PROJECTS

Included in operating projects are the following:-

Operating projects	<u>5 778 305</u>	-
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27. CORRECTION OF ERRORS

The following adjustments were made to amounts previously reported in the annual financial statements of the Municipality arising from the correction of errors: -

The comparative amount has been restated as follows: -

2009	R
------	---

Workmen's Compensation Act liability overstated – 2008	(67 206)
Leave credit liability–Leave liability exceeded legislated 48 days	(1 954 166)
Transfer of performance bonus to retained income	(1 189 916)
Adjustment of Provision for bad debts 2007/2008 written back to provisions	105 493 455
Adjustment for opening balances for capitalization	(39 940 903)

Short term loan understated – 2008	129 871
Short term loan understated – 2008	(1 773)
Reversal of accumulated depreciation	(28 801 913)
Reversal of Government Grants Reserves	(22 396 249)
Total	11 271 200

2009	R	2008	R
------	---	------	---

28. CASH GENERATED BY OPERATIONS

Surplus/(deficit) for the year	15 805 513	22 097 764
Adjustment for:-		
Depreciation	-	5 050 774
Gains on disposal of PPE	-	(28 251)
Loss on disposal of PPE	-	283 984
Other no cash items	(317 228)	-
Interest paid	744 533	350 612
Investment income	<u>(1 323 644)</u>	<u>(1 118 328)</u>
Operating surplus before working capital changes:	14 909 175	26 636 555
(Increase)/decrease in receivables	18 823 843	(17 616)
(Increase)/decrease in inventory	302 822	050)
Increase/(decrease) in conditional grants and receipts	(5 154 796)	2 372 159
Increase in payables	(861 157)	2 114 451
Increase in VAT		
Cash generated by/(utilized in) operations	<u>28 019 887</u>	<u>12 018 901</u>

29. CASH AND CASH EQUIVALENTS

Cash and cash equivalents included in the cash flow statement comprise the following statement of amounts indicating financial position :

Bank balances and cash	7 399 173	897 173
Bank overdrafts	(2 727 705)	(6 525 846)
Call investment deposits	-	15 409 440
Total cash and cash equivalents	<u>4 671 468</u>	<u>9 780 767</u>

UTILISATION OF LONG-TERM LIABILITIES

30. RECONCILIATION

Long-term liabilities (see Note 1)	2 692 402	760 038
Used to finance property, plant and equipment – at cost	(3 020 279)	(814 545)
Sub- total	(327 877)	(54 507)
Cash set aside for the repayment of long-term liabilities	-	-
Cash invested for repayment of long-term liabilities (see note 14)	-	-

Long-term liabilities have been utilized in accordance with the Municipal Finance Management Act. No cash has been set aside to ensure that long-term liabilities can be repaid on redemption date as the liability being paid on a monthly basis.

ADDITIONAL DISCLOSURES IN TERMS OF 31. MUNICIPAL FINANCE MANAGEMENT ACT

31.1 Contributions to organized local government

Opening balance	-	-
Council subscriptions	-	-
Amount paid – current year	-	28 128
Amount paid – previous years	-	-
Balance unpaid (included in creditors)	-	-

31.2 Audit fees

Opening balance	-	928 017
Current year audit fee	1 024 000	773 591
Amount paid – current year	(648 544)	(928 017)
Amount paid – previous years	-	-
Balance unpaid (included in creditors)	375 455	773 591

31.3 VAT

VAT inputs receivables and VAT outputs receivables are shown in note 7. All VAT returns have been submitted by the due date throughout the year.

31.4 PAYE, SDL and UIF

Opening balance	-	-
Current year payroll deductions	7 609 603	6 787 523
Amount paid – current year	(7 609 603)	(6 593 256)
Amount paid – previous years	-	-
Balance unpaid (included in creditors)	-	194 266

The balance represents PAYE and UIF deducted from the June 2008 payroll. These amounts were paid during July 2008.

31.5 Pension and Medical Aid Deductions

Opening balance	-	-
Current year payroll deductions and Council Contributions	8 827 046	11 374 491
Amount paid – current year	(8 827 046)	(11 374 491)
Amount paid – previous years	-	-
Balance unpaid (included in creditors)	-	-

The balance represents pension and medical aid contributions deducted from employees in the June 2007 payroll as well as Council's contributions to pension and medical aid funds. These amounts were paid during July 2008.

	2009	2008
	R	R

31.6 COUNCILLORS' Arrear consumer accounts

During the year, the following Councilors' had arrear accounts outstanding for more than 90 days:-

Councillor N.N Makhabane
 Councillor Tyala .N
 Councillor A.T Sweleni
 Councillor N .Bomvana
 Councillor P. Jabe
 Councillor N. Miti-Dube
 Councillor P.N Mbusi
 Councillor NV Mdyeshana
 Councillor VM Qwabe
 Councillor M. Maphazi

Outstanding less than 90 days	Outstanding more than 90 days
--------------------------------------	--------------------------------------

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41	443				
154	1 844				
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176	376				
299	27				
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60	445				
61	0				
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1 030	1 539				
553	0				

Councillor Nyokana A	45	509
Councillor NO Dyantyi	272	157
	<u>4 015</u>	<u>26 511</u>

32. CAPITAL COMMITMENTS

Commitments in respect of capital expenditure:

- Approved and contracted for

Infrastructure

Community

Other

28 945 366	12 924 974
28 445 366	12 444 239
500 000	200 000
-	280 735

- Approved but not yet contracted for

Infrastructure

Total

-	1 310 477
-	1 310 477
<u>28 945 366</u>	<u>14 235 451</u>

This expenditure will be financed from:

- Government Grants
- Own resources
- District Council Grants

28 445 366	11 653 595
500 000	2 352 907
-	228 949
<u>28 945 366</u>	<u>14 235 451</u>

33. RETIREMENT BENEFIT INFORMATION

All Employees belong to 4 defined benefit retirement funds administered by the Cape Joint Pension Fund, Cape Joint Retirement Fund, and National Fund for Municipal Workers and Samwu National Provided Fund.

All Councilors belong to 1 defined benefit retirement fund administered by the Municipal Councilors' Pension Fund.

All current contributions have been expensed.

34. EVENTS AFTER THE REPORTING DATE

The Municipality is not aware of any matter or circumstance arising since the end of the financial year.

	2009	2008
	R	R
35. UNAUTHORISED, FRUITLESS AND WASTEFUL EXPENDITURE DISALLOWED		
<u>35.1 Unauthorised expenditure</u>		
Reconciliation of unauthorized expenditure		
Opening balance	-	-
Unauthorised expenditure current year	21 395	-
Approved by Council or condoned	-	-
Unauthorised expenditure awaiting authorization	<u>714 324</u>	-
	<u>735 719</u>	-
Incident		
R714 324 was pension monies transferred by Old Mutual to pay over to councillors that were serving in the council prior 2006 and it was paid without reflecting in the budget as an additional income		
R 21 395 is for Skills Development vote that exceeded the budget without notifying as exhausted, this is a challenge within Sebata system in personnel votes not giving early warning signs when the vote are exhausted		
<u>35.2 Fruitless and Wasteful expenditure</u>		
Reconciliation of unauthorised expenditure		
Opening balance	-	-
Unauthorised expenditure current year	639 291	-
Approved by Council or condoned	-	-
Unauthorised expenditure awaiting authorization	<u>238 000</u>	-
	<u>877 292</u>	-
Incidents		
Interest of R 238 000 on overdue accounts		
In the invoice of A & J Midas for the amount of R 143.00 vat number quoted was incorrect		
R 255 274.00 is for interest on overdue accounts		
R 135 128.00 interest on overdraft		
Interest of an old debt for workman's compensation which started at thee then Butterworth Municipality is R 248 747.		

36. COMPARISON WITH THE BUDGET

The comparison of the Municipality's actual financial performance with that budgeted is set out in Annexure E.

MNQUMA LOCAL MUNICIPALITY

APPENDIX A

SCHEDULE OF EXTERNAL LOANS AS AT 30 JUNE 2009

	EXTERNAL LOANS			Date of Inception	Balance at 30/06/2008	Received during the year	Redeemed / withdrawal during the year	Balance at 30/06/2009	Carrying Value of Property, Plant & Equipment
	Item Leased	Loan No.	Lessor	R	R	R	R	R	R
	Tractors 2008@9.5% (variable prime minus 2.5%)	302-505-1475	Meeg Bank	31-Mar-08	174,141	-	74,715	99,426	156,374
	Tractors 2008@9.5% (variable prime minus 2.5%)	302-505-2976	Meeg Bank	31-Mar-08	174,141	-	74,715	99,426	156,374
	Tractors 2008@9.5% (variable prime minus 2.5%)	302-505-3281	Meeg Bank	31-Mar-08	174,141	-	74,715	99,426	156,374
	Trailers 2008@9.5% (variable prime minus 2.5%)	302-519-0130	Meeg Bank	31-Mar-08	79,205	-	33,994	45,211	44,677
	Trailers 2008@9.5% (variable prime minus 2.5%)	302-519-0300	Meeg Bank	31-Mar-08	79,205	-	33,994	45,211	44,677
	Trailers 2008@9.5% (variable prime minus 2.5%)	302-519-0261	Meeg Bank	31-Mar-08	79,205	-	33,994	45,211	44,677
	Meeg Bank-Quantum @2008 10.25% (variable prime minus 1.75)	302-760-8581	Meeg Bank	31-Mar-08	-	258,882	34,524	224,358	232,684

APPENDIX A

SCHEDULE OF EXTERNAL LOANS AS AT 30 JUNE 2009

Item Leased	Loan No.	Lessor	Date of Inception	Balance at 30/06/2008	Received during the year	Redeemed / 87orks hope during the year	Balance at 30/06/2009	Carrying Value of Property, Plant & Equipment
								R
Meeg Bank-Toyota Twin Cabs @ 10.25% (variable prime minus 1.75)	302-761-3966	Meeg Bank	03-Dec-08	-	288.363	38.461	249.902	259.289
Meeg Bank-Toyota Twin Cabs @ 10.25% (variable prime minus 1.75)	302-761-3974	Meeg Bank	03-Dec-08	-	288.363	38.461	249.902	259.299
Toyota Finance-Corolla 1.4 <u>2008 @14.5%</u>	861-1295-2521	Toyota Financial Services	03-Dec-08	-	163.002	22 648	140,354	145,496
Toyota Finance-Corolla 1.4 <u>2008 @14.5%</u>	861-1295-2494	Toyota Financial Services	03-Dec-08	-	163.002	22,648	140,354	145,496
Toyota Finance-Corolla 1.4 <u>2008 @14.5%</u>	861-1295-2672	Toyota Financial Services	03-Dec-08	-	163.002	22,648	140,354	145,496
Toyota Finance-Corolla 1.4 <u>2008 @14.5%</u>	861-1295-2797	Toyota Financial Services	03-Dec-08	-	163.002	22,648	140,354	145,496
Toyota Finance-Corolla 1.6 2008 @ 14.5%	861-1295-2103	Toyota Financial Services	03-Dec-08	-	179.529	24,945	154,584	160,248
Toyota Finance-Corolla 1.6 2008 @ 14.5%	861-1295-1961	Toyota Financial Services	03-Dec-08	-	179.529	24,945	154,584	160,097

MNQUMA LOCAL MUNICIPALITY

APPENDIX A

SCHEDULE OF EXTERNAL LOANS AS AT 30 JUNE 2009

Item Leased	Loan No.	Lessor	Date of Inception	Balance at 30/06/2008	Received during the year	Redeemed / Refunds hope during the year	Balance at 30/06/2009	Carrying Value of Property, Plant & Equipment
Toyota Finance-Corolla 1.6 2008@ 14.5%	861-1295-2040	Toyota Financial Services	03-Dec-08	R	R	R	R	R
Toyota Finance-Corolla 1.6 2008@ 14.5%	861-1293-3723	Toyota Financial Services	03-Dec-08	-	179,529	24,945	154,584	160,097
				0	179,529	24,945	154,584	160,097
Total Long Term Loans				760,039	2,205,732	627,945	2,337,825	2,576,962
Current Portion							614,784	
Total External loans							1,723,041	

MNQUMA LOCAL MUNICIPALITY

APPENDIX B

ANALYSIS OF PROPERTY, PLANT AND EQUIPMENT AS AT 30 JUNE 2009

	Cost/Revaluation						Accumulated Depreciation					
	Opening Balance R	Additions /Write- Ons R	Under Construction Capitalized R	Under Construction R	Disposals R	Closing Balance R	Opening Balance R	Current Depreciation R	Additions / Write- Ons R	Disposals / Write-Offs R	Closing Balance R	
LAND AND BUILDINGS												
Land	6,446,793	370,000	-	-	-	6,816,793	-	-	-	-	6,816,793	
Buildings	4,886,113	-	-	-	-	4,886,113	-	-	-	-	4,886,113	
Total Land and Buildings	11,332,906	370,000	-	-	-	11,702,906	-	-	-	-	11,702,906	
INFRASTRUCTURE ASSETS												
Electricity												
Festive Lighting	420,175	-	-	-	-	-	420,175	-	-	-	420,175	
High Mast Lighting	1,738,243	-	-	-	-	-	1,738,243	-	-	-	1,738,243	
Load Control Equipment	-	-	-	-	-	-	-	-	-	-	-	
Mains	-	-	-	-	-	-	-	-	-	-	-	
Meters	-	-	-	-	-	-	-	-	-	-	-	
Reticulation	1,046,811	-	-	-	-	-	1,046,811	-	-	-	1,046,811	
Substations	522,277	-	-	-	-	-	522,277	-	-	-	522,277	

ANALYSIS OF PROPERTY, PLANT AND EQUIPMENT AS AT 30 JUNE 2009

	Cost/Revaluation						Accumulated depreciation						Carrying Value R
	Opening Balance R	Additions/Write- -Ons R	Under Construction Capitalized R	Under Construction R	Disposa ls R	Closing Balance R	Opening Balance R	Current Depreciation R	Additions/ Write- Ons R	Dispos als / Write- Offs R	Closing Balance R		
Switchgear Equipment Transformer Kiosks	-	-	-	-	-	-	-	-	-	-	-	-	-
	3,727,506						3,727,506						3,727,506
Roads													
Access Roads and Bridges	55,348,395	30,467,863	-	-	-	-	85,816,258	-	-	-	-	-	85,816,258
Car Parks/Car Ports	97,170	-	-	-	-	-	97,170	-	-	-	-	-	97,170
Street Lighting	374,554	1,684,751	-	-	-	-	2,059,305	-	-	-	-	-	2,059,305
Traffic Equipment	1,901	-	-	-	-	-	1,901	-	-	-	-	-	1,901
Traffic Lights	70,238	-	-	-	-	-	70,238	-	-	-	-	-	70,238
	55,892,258	32,152,614					88,044,872						88,044,872
Infrastructure Assets carried forward	59,619,764	32,152,614	-	-	-	-	-	-	-	-	-	-	91,772,378

NQUMA LOCAL MUNICIPALITY
APPENDIX B

ANALYSIS OF PROPERTY, PLANT AND EQUIPMENT AS AT 30 JUNE 2009

	Cost/Revaluation				Accumulated Depreciation				Carrying Value
	Opening Balance	Additions/Write-Offs	Under Construction Capitalized	Disposals / Write-Offs	Opening Balance	Current Depreciation	Additions / Write-Ons	Disposals / Write-Offs	
R	R	R	R	R	R	R	R	R	R
Infrastructure Assets brought forward	59,619,764	32,152,614	-	-	91,772,378	-	-	-	91,772,378
Security Equipment	75,746	-	-	-	75,746	-	-	-	75,746
Fencing	326,646	249,925	-	-	576,571	-	-	-	576,571
Farm Infrastructure Dipping Tanks	402,392	249,925	-	-	652,317	-	-	-	652,317
Total Infrastructure Assets	60,819,612	32,402,539	-	-	-	-	-	-	93,222,151

MNQUMA LOCAL MUNICIPALITY
APPENDIX B

ANALYSIS OF PROPERTY, PLANT AND EQUIPMENT AS AT 30 JUNE 2009

		Cost/revaluation				Accumulated depreciation						
		Opening Balance	Additions/Write-Ons	Under Construction Capitalized	Under Construction	Disposals / Write-Offs	Closing Balance	Current Depreciation	Additions / Write-Ons	Disposal s / Write-Offs	Closing Balance	Carrying Value
		R	R	R	R	R	R	R	R	R	R	R
COMMUNITY ASSETS												
Buildings		2,160,000	-	-	-	-	2,494,309	-	-	-	-	2,494,309
Community Centres		334,309	-	-	-	-	290,000	-	-	-	-	290,000
Libraries		290,000	-	-	-	-	31,184	-	-	-	-	31,184
Parks		31,184	-	-	-	-						
		655,493	2,160,000	-	-	-	2,815,493	-	-	-	-	2,815,493
Total Community Assets		655,493	2,160,000	-	-	-	2,815,493	-	-	-	-	2,815,493
OTHER ASSETS												
Other Properties		-	-	-	-	-	-	-	-	-	-	-
Other Assets carried forward		-	-	-	-	-	-	-	-	-	-	-

APPENDIX B

ANALYSIS OF PROPERTY, PLANT AND EQUIPMENT AS AT 30 JUNE 2009

	Cost/Revaluations						Accumulated Depreciation				Carrying Value	
	Opening Balance	Additions/ Revaluations	Under Construction Capitalized	Under Construction	Disposals / Write-Offs	Closing Balance	Opening Balance	Current Depreciation	Additions / Write-Ons	Disposals / Write-Offs		
Other Assets brought forward	-	-	-	-	-	-	-	-	-	-	-	
Plant and Equipment												
Compressors	1	-	-	-	-	1	-	-	-	-	1	
Generators	1	-	-	-	-	1	-	-	-	-	1	
Graders	2,079,838	-	-	-	-	2,079,838	-	-	-	-	2,079,838	
Excavator	-	875,000	-	-	-	875,000	-	-	-	-	875,000	
Other Emergency Equipment-Fire Engines	2,626,000	-	-	-	-	2,626,000	-	-	-	-	2,626,000	
Tractors	1,152,530	-	-	-	-	1,152,530	-	-	-	-	1,152,530	
Trailers	223,386	-	-	-	-	223,386	-	-	-	-	223,386	
	6,081,756	875,000	-	-	-	6,956,756	-	-	-	-	6,956,756	
Office Equipment												
Office Equipment	1,031,003	340,426	-	-	-	1,371,429	-	-	-	-	1,371,429	
Computer Equipment	52,010	-	-	-	-	52,010	-	-	-	-	52,010	

MNQUMA LOCAL MUNICIPALITY

APPENDIX B

ANALYSIS OF PROPERTY, PLANT AND EQUIPMENT AS AT 30 JUNE 2009

		Cost/Revaluations						Accumulated depreciation					
		Opening Balance	Additions/ Revaluations	Under Construction Capitalized	Under Construction	Disposals / Write-Offs	Closing Balance	Openin g Balanc e	Current Depreciation	Additions / Write-Ons	Disposals / Write-Offs	Closing Balance	
	R	R	R	R	R	R	R	R	R	R	R	R	
Furniture and Fittings	1,083,013	340,426	-	-	-	-	1,423,439	-	-	-	-	-	
Furniture and Fittings	1,101,213	111,802	-	-	-	-	1,213,015	-	-	-	-	1,213,015	
Motor Vehicles	1,101,213	111,802	-	-	-	-	1,213,015	-	-	-	-	-	
Motor Vehicles	3,048,408	2,186,705	-	-	-	-	5,235,113	-	-	-	-	5,235,113	
Total Other Assets	11,314,389	3,513,933	-	-	-	-	14,828,322	-	-	-	-	14,828,322	
TOTAL	84,122,400	38,446,472	-	-	-	-	-	-	-	-	-	122,568,872	

Fixed Assets	Historical Cost						Accumulated Depreciation					
	Opening Balance	Additions / Revaluations	Under Construction on Capitalized	Under Construction	Disposals / Write-Offs	Closing Balance	Opening Balance	Current Depreciation	Disposals / Write-Offs	Closing Balance	Carrying Value	
Description	R	R	R	R	R	R	R	R	R	R	R	
Executive and Council	778,782	29,851	-	-	-	808,633	-	-	-	-	808,633	
Budget and Treasury	1,370,287	187,551	-	-	-	1,557,838	-	-	-	-	1,557,838	
Technical Services	77,449,995	34,033,893	-	-	-	111,483,888	-	-	-	-	111,483,888	
Community Services	4,333,197	1,034,694	-	-	-	5,367,891	-	-	-	-	5,367,891	
Corporate Services	1,524,961	160,142.31	-	-	-	1,685,103	-	-	-	-	1,685,103	
Other	3,638,844	29,127.00	-	-	-	3,667,971	-	-	-	-	3,667,971	
TOTALS	89,096,066	35,475,258	-	-	-	124,571,324	-	-	-	-	124,571,324	

APPENDIX D
STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2009

	2008 Actual Income R	2008 Actual Expenditure R	2009 Surplus/ (Deficit) R	2009 Actual Income R	2009 Actual Expenditure R	2009 Surplus/ (Deficit) R
-	14,534,778	(14,534,778)	-	-	15,541,144	(15,541,144)
230,000	4,178,111	(3,948,111)	-	-	4,483,558	(4,483,558)
80,008,876	11,761,734	68,247,142	110,188,858	60,542,148	49,646,710	
207,529	11,932,487	(11,724,958)	126,807	11,725,726		
596,802	9,276,577	(8,679,775)	33,360,839	16,102,907		
202,293	2,215,967	(2,013,674)	Strategic Management	-	3,834,556	(3,834,556)
4,279,917	21,388,833	(17,108,916)	Community Services	7,578,356	23,058,411	(15,480,055)
			Sub-Total			
	<u>85,525,416</u>	<u>75,288,487</u>	<u>10,236,930</u>	<u>135,288,450</u>	<u>15,966,410</u>	

MNQUMA LOCAL MUNICIPALITY
APPENDIX E(1)

MNQUMA LOCAL MUNICIPALITY: ACTUAL VERSUS BUDGET (REVENUE AND EXPENDITURE) FOR THE YEAR ENDED 30 JUNE 2009

REVENUE	<u>2009</u>		<u>2009</u>		<u>Explanation of Significant Variances</u>
	<u>Actual</u>	<u>Budget</u>	<u>Variance</u>		
Property rates Property rates – penalties imposed and collection charges	(26,489,571)	(27,545,559)	1,055,988		The actual billing is as a result of erroneously billing of interim valuation (R 6 858 433.15) twice and it has been reversed in 2010 financial year
Service charges	(2,396,550)	(1,283,708)	(1,112,842)		A data cleansing exercise which was conducted revealed that there were properties that were supposed to be billed fire levy and they were not billed and yet the projected budget refers only to those properties under billing on rental are flats that were vacated by owners and yet at the time of budget the municipality projected that they will be billed
Rental of facilities and equipment	(2,977,348)	(3,879,923)	902,575		
Refuse removals –	(4,348,944)	(3,742,671)	(606,273)		A variance of R 606 273 is as a result of properties which were not billed and later found out that they were supposed to be billed previously there was no clear guideline on the treatment of interest and according to circular 48 it requires that municipalities must recognize interest received from investment as municipal income interest is charged on overdue accounts and R4.1 m are projections
Interest earned – external investments	(1,323,644)	(212,175)	(1,111,469)		Law enforcement strategy of employing traffic wardens to collect all outstanding fines during the current financial year which yielded good results
Interest earned – outstanding debtors	(1,122,437)	(4,145,980)	3,023,543		
Fines –	(976,135)	(1,048,000)	71,866		
Licenses and permits	(1,962,782)	(1,836,463)	(126,319)		There has been an increase in the commission received and in the registration of new vehicles during the financial year.
Government grants and subsidies	(106,329,564)	(120,036,945)	13,707,381		variance is as a result of Income from Library which was not transferred by the Dept and also Health subsidy
Other income	(3,327,884)	(4,689,666)	1,361,782		The budgeted revenue for other income for outstanding debt was not realized.
Public contributions, donated/contributed PPE	-	-	-		
Gains on disposal of property, plant and equipment	-	-	-		
Total Revenue	(151,254,859)	(168,421,090)	17,166,231		

Mnquma Local Municipality's Annual Report-30 June 2009

Page 98 of 185

APPENDIX E(1)

EXPENDITURE	MNQUMA LOCAL MUNICIPALITY: ACTUAL VERSUS BUDGET (REVENUE AND EXPENDITURE) FOR THE YEAR ENDED 30 JUNE 2009		
	2009	Budget 	Variance
Infrastructure Development	16,102,907.00	25,269,068	(9,166,161)
Community Services	23,058,411.00	30,063,135	(7,004,724)
Corporate Services	11,725,726.00	12,276,724	(550,998)
Budget and Treasury	60,703,046	16,851,373	43,851,673
Municipal Manager	4,483,558.00	4,720,339	(236,781)
Strategic Management	3,834,556.00	3,968,757	(134,201)
Executive Mayor & Speaker	15,541,144.00	17,574,495	(2,033,351)
Total Expenditure	135,449,346	110,723,891	24,725,455
NET SURPLUS/(DEFICIT) FOR THE YEAR	(15,966,409)	(57,697,199)	41,730,790

Explanation of Significant Variances

Variances occurred due to under collection of the municipality so the spending is managed
 Variances occurred due to under collection of the municipality so the spending is managed
 Variances occurred due to under collection of the municipality so the spending is managed
 Variances occurred due to under collection of the municipality so the spending is managed
 Variances occurred due to write off of bad debts
 Variances occurred due to under collection of the municipality so the spending is managed
 Variances occurred due to under collection of the municipality so the spending is managed
 Variances occurred due to under collection of the municipality so the spending is managed

MNQUMA LOCAL MUNICIPALITY

APPENDIX E(2)

ACTUAL VERSUS BUDGET (ACQUISITION OF PROPERTY, PLANT AND EQUIPMENT) FOR THE YEAR ENDED 30 JUNE 2009

Description	2009 Additions / Write-Ons R	2009 Under Construction Capitalized R	2009 Under Construction R	Total Additions R	Budget R	Variance R	2009
Executive and Council	-	-	-	88,979	2,416,014	(2,386,163)	
Budget and Treasury	-	-	-	187,551	15,720	171,831	
Infrastructure	-	-	-	33,633,893	28,445,368	5,188,525	
Community Services	-	-	-	1,034,694	12,630,983	(11,596,289)	
Corporate Services	-	-	-	160,142	675,600	(515,458)	
TOTAL				35,105,259	44,183,685	(9,137,554)	
DISCLOSURE OF GRANTS AND RECEIPTS IN TERMS OF SECTION 123 OF MFMA, 56 OF 2003							

MNQUMA LOCAL MUNICIPALITY

APPENDIX F

DISCLOSURE OF GRANTS AND RECEIPTS IN TERMS OF SECTION 123 OF MFMA ;56 OF 2003

	EXECUTIVE MAYOR	OFFICE OF THE MUNICIPAL MANAGER	BUDGET & TREASURY	CORPORATE SERVICES	INFRASTRUCTURE	STRATEGIC MANAGEMENT	COMMUNITY SERVICES	TOTAL
NATIONAL GOVERNMENT	-	-	500,000	-	-	-	-	500,000
Financial Management Grant	-	-	-	-	22,596,331	1,000,000	1,452,669	25,049,000
MIG	-	-	-	235,000	500,000	-	-	735,000
MSIG	-	-	-	48,993,006	4,299,411	6,349,037	565,360	68,823,854
Equitable Share Grant	1,142,654	3,860,956	49,493,006	4,534,411	29,445,368	1,565,360	5,066,099	95,107,854
PROVINCIAL GOVERNMENT								
DEAT	-	-	-	-	-	-	-	1,400,000
Department of Local Government	-	-	-	-	1,784,500	-	-	1,784,500
TOTAL NATIONAL/PROVINCIAL GOVERNMENT GRANT	1,142,654	3,860,956	49,493,006	4,534,411	31,229,868	1,565,360	6,466,099	98,292,354

4.2 AUDITOR-GENERAL AUDIT REPORT FOR THE YEAR ENDED 30 JUNE 2009

REPORT OF THE AUDITOR-GENERAL TO THE EASTERN CAPE PROVINCIAL LEGISLATURE AND THE COUNCIL ON THE FINANCIAL STATEMENTS AND PERFORMANCE INFORMATION OF THE MNQUMA LOCAL MUNICIPALITY FOR THE YEAR ENDED 30 JUNE 2009

REPORT ON THE FINANCIAL STATEMENTS

Introduction

1. I was engaged to audit the accompanying financial statements of the Mnquma Local Municipality which comprise the statement of financial position as at 30 June 2009, and the statement of financial performance, the statement of changes in net assets and the cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes, as set out on pages [xx] to [xx].

The accounting officer's responsibility for the financial statements

2. The accounting officer is responsible for the preparation and fair presentation of these financial statements in accordance with the Statements of Generally Recognised Accounting Practice (Statements of GRAP) and in the manner required by the Local Government: Municipal Finance Management Act, 2003 (Act No. 56 of 2003) (MFMA) and for such internal control as the accounting officer determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud and error.

The Auditor-General's responsibility

3. As required by section 188 of the Constitution of the Republic of South Africa, 1996 read with section 4 of the Public Audit Act, 2004 (Act No. 25 of 2004) (PAA) and section 126(3) of the MFMA, my responsibility is to express an opinion on the financial statements based on conducting the audit in accordance with the International Standards on Auditing and *General Notice 616 of 2008*, issued in *Government Gazette No. 31057 of 15 May 2008*. Because of the matters described in the Basis for disclaimer of opinion paragraphs, however, I was not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion.

Basis for disclaimer of opinion

Consumer debtors

4. Consumer debtors were disclosed at R13,4 million on the face of the statement of financial position and note 9 to the annual financial statements. This amount does not agree to the underlying, debtors age analysis and debtors listing by an unexplained and un-reconciled difference of R6,8 million and R2,7 million respectively. Furthermore, included in the debtors balance are debtors with credit

balances to the amount of R2,5 million, as a result payables is understated by the same amount.

5. In addition material breaches in the access controls safeguarding the debtor's sub-ledger, resulted in an unquantifiable amount of debtors being removed without the debtor making payment. Even through alternative procedures, I was unable to confirm the exact amount of debtors removed from the accounting system.
6. Due to limitations placed on the scope of my work and municipal records not permitting the application of alternative audit procedures, I could not obtain sufficient appropriate evidence to confirm that consumer debtors were recorded and if those recorded were at the correct amount.

Creditors

7. I was unable to satisfy myself, even after performing alternative procedures, that the trade creditors of R13,1 million included in the trade and other payables disclosed in the statement of financial position included all amounts due to suppliers at year end and that creditors were recorded at the correct amount. This was as a result of trade creditors not supported by adequate documentation. In addition, the municipality did not prepare supplier reconciliations and did not have an adequate alternative system of ensuring that all goods and services received prior to year-end, but not yet paid, were accrued.

Unspent conditional grants and receipts

8. Unspent conditional grants and receipts are disclosed at R9,4 million on the face of the statement of financial position and note 5 to the annual financial statements. The unspent conditional grants are not supported by bank balances to the amount of R2 million and I am unable to determine if this amount was 102orks ho for the purposes that it was intended for.

Accumulated surplus

9. Included in accumulated surplus disclosed at R114,4 million in the statement of financial position is a journal to the amount of R2,2 million. Management was unable to provide documentation or explanations in support of this journal.

Revenue

Property rates

10. Due to duplicate processing and inadequate supporting documentation to journals the property rates revenue and debtors are overstated by R9,4 million. Properties in the municipal district and under the control of the municipality were not valued for property rates purposes and therefore not included in the valuation roll on which the property rates assessments were based. I was therefore unable to determine, even after performing alternative procedures, that all rates revenue that should have been billed and included in the property rates revenue of R29 million is disclosed in the statement of financial performance.

Service charges

11. I was unable to satisfy myself, even after performing alternative procedures, that service charges of R6,7 million disclosed in note 14 to the financial statements included all amounts due from consumers at year end and that service charges were recorded at the correct amounts. This was as a result of the incorrect updating of the tariffs charged for refuse removal and fire levy on the billing system and this not agreeing to the approved tariff policy.

Rental of facilities and equipment

12. Income from the rental of facilities and equipment is disclosed at R2,9 million in note 15 to the annual financial statements. Management was unable to provide schedules and documentation in support of this balance.

Interest earned – outstanding debtors

13. Interest earned on outstanding debtors is disclosed at R1,1 million on the face of the statement of financial performance and note 16 to the annual financial statements. Incorrect updating of the billing system, resulted in the interest rates charged not agreeing to the council approved interest policy. In the absence of adequate and reliable supporting documentation I was unable to quantify the extent of the lost interest revenue generated and debtors not accounted for.

Value Added Taxation (VAT)

14. VAT is disclosed at R719,565 in note 10 to the annual financial statements. Management could not provide explanations or reconciliations to support reasons for the understatement of disclosure when compared to the correspondence from the South African Revenue Services (SARS) and the underlying accounting records to the amount of R3,3 million and R1,3 million respectively.
15. In addition, my re-computation of VAT noted that the accounting officer did not claim VAT input credits to the amount of R2,3 million. A query regarding the validity of the apportionment percentage used to calculate input credits and the invoices claimed for VAT to the amount of R752,876 is pending from SARS.
16. Consequently, I could not gather sufficient appropriate evidence to confirm that the VAT debtor is disclosed at the correct amount.

Bank overdraft

17. Bank overdraft was disclosed at R5,7 million on the face of the statement of financial position. Incorrect processing of transactions in the general ledger resulted in the general ledger balance not agreeing with the cash book by an amount of R571,194. In addition the bank overdraft was overstated by R496,327 as a result of the untimely clearing of the bank suspense accounts and the non reversal of stale cheques.

18. Consequently I could not gather sufficient appropriate evidence to confirm that the bank overdraft is disclosed at the correct amount.

Capital Commitments

19. Capital commitments were disclosed at R28,9 million in note 32 to the annual financial statements. Management was unable to provide adequate supporting documentation in support of this balance.

20. Due to limitations placed on the scope of my work and municipal records not permitting the application of alternative audit procedures, I could not gather sufficient appropriate evidence to confirm that commitments were disclosed at the correct amount and if all commitments were recorded.

Retirement benefit information

21. Note 33 to the annual financial statements paraphrased reads "All employees belong to 4 defined benefit retirement funds and that councillors belong to 1 defined benefit retirement fund." Contrary to the prescripts of IAS 19, *Employee benefits*, the accounting officer did not disclose the actuarial valuation of the municipality's obligation towards each of these funds.

22. Due to limitations placed on the scope of my work and municipal records not permitting the application of alternative audit procedures, I could not determine the effect of retirement benefit information on the annual financial statements.

Employee related costs

23. Employee related costs are disclosed at R52,1 million on the face of the statement of financial performance and note 20 to the annual financial statements. The disclosure is overstated when compared to the payroll by an un-reconciled difference of R1,3 million. In addition, management could not provide reasons to support the salary control account disclosed at R2,7 million as a payable in note 4 to the annual financial statements.

24. Due to limitations placed on the scope of my work and municipal records not permitting the application of alternative audit procedures, I could not confirm that employee related costs were recorded at the correct amounts.

Cash flow statement

25. The cash flow statement prepared by the municipality is misstated by R43,9 million due to incorrect amounts disclosed under cash generated by operations. The extent of the misstatement is due to the non-cash write off of bad debts.

Disclaimer of opinion

26. Because of the significance of the matters described in the Basis for disclaimer of opinion paragraphs, I have not been able to obtain sufficient appropriate audit

evidence to provide a basis for an audit opinion. Accordingly, I do not express an opinion on the financial statements.

Emphasis of matters

I draw attention to the following matters:

Going concern

27. As at the reporting date the municipality's total current liabilities exceeded its total current assets by R7,8 million. I noted that the municipality had experienced substantial difficulty in recovering its debtors and furthermore, the municipality depends largely on the state for assistance for its continued existence.

Restatement of corresponding figures

28. As disclosed in note 27 to the financial statements, the corresponding figures for 30 June 2008 have been restated by a net amount of R11,3 million as a result of errors discovered during the current and prior financial year.

Other matters

I draw attention to the following matters that relate to my responsibilities in the audit of the financial statements:

Unaudited supplementary schedules

29. The supplementary information set out in pages XX to XX do not form part of the financial statements and is presented as additional information. I have not audited these schedules and accordingly I do not express an opinion thereon.

Non-compliance with applicable legislation

Municipal Finance Management Act, 2003 (Act No. 56 of 2003) (MFMA)

30. The municipality did not make all payments to creditors within 30 days of receipt of the invoice as required by section 65(2)(e) of the MFMA.

Environment Conservation Act, 1989 (Act No 73 of 1989)

31. Section 20(1)(a) of the act states that "No person shall establish, provide or operate any disposal site without a permit issued by the Minister of Water Affairs and that the Minister may issue a permit subject to such conditions as he may deem fit." Permit was not issued for the municipality's landfill sites located in Butterworth, Centane and Ngqamakwe.

Governance framework

32. The governance principles that impact the auditor's opinion on the financial statements are related to the responsibilities and practices exercised by the accounting officer and executive management and are reflected in the internal control deficiencies and key governance responsibilities addressed below:

Internal control deficiencies

33. Section 62(1)(c)(i) of the MFMA states that the accounting officer must ensure that the municipality has and maintains effective, efficient and transparent systems of financial and risk management and internal control. The table below depicts the root causes that gave rise to the deficiencies in the system of internal control, which led to the disclaimer of opinion. The root causes are categorised according to the five components of an effective system of internal control. (The number listed per component can be followed with the legend below the table.) In some instances deficiencies exist in more than one internal control component.

Par. no.	Basis for disclaimer of opinion	CE	RA	CA	IC	M
4	Consumer debtors	1				
7	Creditors			3		3
10	Unspent conditional grants and receipts					3
12	Accumulated surplus					1
14	Revenue	1		5		1
20	VAT					1
23	Bank overdraft					1
25	Capital commitments					1
27	Retirement benefit funds	1				
29	Related party transactions	1				
31	Employee related costs			3		
33	Cash flow statement			3		

34. The leadership of the municipality did not impose punitive action on officials found guilty of non-compliance with the established internal control policies and procedures, especially in the area of consumer debtors, unspent conditional grants, VAT, revenue and capital commitments.
35. Furthermore, a proper accounting system to deal with the complexities of the transition from fund accounting to accrual accounting was not in place to ensure that the information disclosed in the financial statements are accurate and complete.
36. Insufficient management oversight and the lack of accountability resulted in an abnormal amount of transactions being incorrectly classified, recorded in the incorrect periods and not being supported by an adequate audit trail.

Legend	
CE = Control environment	
The organisational structure does not address areas of responsibility and lines of reporting to support effective control over financial reporting.	1
Management and staff are not assigned appropriate levels of authority and responsibility to facilitate control over financial reporting.	2
Human resource policies do not facilitate effective recruitment and training, disciplining and supervision of personnel.	3
Integrity and ethical values have not been developed and are not understood to set the standard for financial reporting.	4
The accounting officer/accounting authority does not exercise oversight responsibility over financial reporting and internal control.	5
Management's philosophy and operating style do not promote effective control over financial reporting.	6
The entity does not have individuals competent in financial reporting and related matters.	7
RA = Risk assessment	
Management has not specified financial reporting objectives to enable the identification of risks to reliable financial reporting.	1
The entity does not identify risks to the achievement of financial reporting objectives.	2
The entity does not analyse the likelihood and impact of the risks identified.	3
The entity does not determine a risk strategy/action plan to manage identified risks.	4
The potential for material misstatement due to fraud is not considered.	5
CA = Control activities	
There is inadequate segregation of duties to prevent fraudulent data and asset misappropriation.	1
General information technology controls have not been designed to maintain the integrity of the information system and the security of the data.	2
Manual or automated controls are not designed to ensure that the transactions have occurred, are authorised, and are completely and accurately processed.	3
Actions are not taken to address risks to the achievement of financial reporting objectives.	4
Control activities are not selected and developed to mitigate risks over financial reporting.	5
Policies and procedures related to financial reporting are not established and communicated.	6
Realistic targets are not set for financial performance measures, which are in turn not linked to an effective reward system.	7
IC = Information and communication	
Pertinent information is not identified and captured in a form and time frame to support financial reporting.	1
Information required to implement internal control is not available to personnel to enable internal control responsibilities.	2
Communications do not enable and support the understanding and execution of internal control processes and responsibilities by personnel.	3
M = Monitoring	
Ongoing monitoring and supervision are not undertaken to enable an assessment of the effectiveness of internal control over financial reporting.	1
Neither reviews by internal audit or the audit committee nor self -assessments are	2

evident.	
Internal control deficiencies are not identified and communicated in a timely manner to allow for corrective action to be taken.	3

Key governance responsibilities

37. The MFMA tasks the accounting officer with a number of responsibilities concerning financial and risk management and internal control. Fundamental to achieving this is the implementation of key governance responsibilities, which I have assessed as follows:

No.	Matter	Y	N
Clear trail of supporting documentation that is easily available and provided in a timely manner			
1.	No significant difficulties were experienced during the audit concerning delays or the availability of requested information.	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Quality of financial statements and related management information			
2.	The financial statements were not subject to any material amendments resulting from the audit.	<input type="checkbox"/>	<input checked="" type="checkbox"/>
3.	The annual report was submitted for consideration prior to the tabling of the auditor's report.	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Timeliness of financial statements and management information			
4.	The annual financial statements were submitted for auditing as per the legislated deadlines [section 126 of the MFMA].	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Availability of key officials during audit			
5.	Key officials were available throughout the audit process.	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Development and compliance with risk management, effective internal control and governance practices			
6.	Audit committee		
	• The Municipality had an audit committee in operation throughout the financial year.	<input type="checkbox"/>	<input checked="" type="checkbox"/>
	• The audit committee operates in accordance with approved, written terms of reference.	<input type="checkbox"/>	<input checked="" type="checkbox"/>
	• The audit committee substantially fulfilled its responsibilities for the year, as set out in section 166(2) of the MFMA.	<input type="checkbox"/>	<input checked="" type="checkbox"/>
7.	Internal audit		
	• The Municipality had an internal audit function in operation throughout the financial year.	<input type="checkbox"/>	<input checked="" type="checkbox"/>
	• The internal audit function operates in terms of an approved internal audit plan.	<input type="checkbox"/>	<input checked="" type="checkbox"/>
	• The internal audit function substantially fulfilled its responsibilities for the year, as set out in section 165(2) of the MFMA.	<input type="checkbox"/>	<input checked="" type="checkbox"/>
8.	There are no significant deficiencies in the design and implementation of internal control in respect of financial and risk management.	<input type="checkbox"/>	<input checked="" type="checkbox"/>

No.	Matter	Y	N
9.	There are no significant deficiencies in the design and implementation of internal control in respect of compliance with applicable laws and regulations.	<input type="checkbox"/>	<input checked="" type="checkbox"/>
10.	The information systems were appropriate to facilitate the preparation of the financial statements.	<input type="checkbox"/>	<input checked="" type="checkbox"/>
11.	A risk assessment was conducted on a regular basis and a risk management strategy, which includes a fraud prevention plan, is documented and used as set out in section 95(c)(i) of the MFMA.	<input type="checkbox"/>	<input checked="" type="checkbox"/>
12.	Delegations of responsibility are in place, as set out in section 106 of the MFMA.	<input checked="" type="checkbox"/>	<input type="checkbox"/>

Follow-up audit findings

13. The prior year audit findings have been substantially addressed.

Issues relating to the reporting of performance information

14.	The information systems were appropriate to facilitate the preparation of a performance report that is accurate and complete.	<input type="checkbox"/>	<input checked="" type="checkbox"/>
15.	Adequate control processes and procedures are designed and implemented to ensure the accuracy and completeness of reported performance information.	<input type="checkbox"/>	<input checked="" type="checkbox"/>
16.	A strategic plan was prepared and approved for the financial year under review for purposes of monitoring the performance in relation to the budget and delivery by the Mnquma Local Municipality against its mandate, predetermined objectives, outputs, indicators and targets in terms of section 87 of the MFMA.	<input type="checkbox"/>	<input checked="" type="checkbox"/>
17.	There is a functioning performance management system and performance bonuses are only paid after proper assessment and approval by those charged with governance.	<input type="checkbox"/>	<input checked="" type="checkbox"/>

38. The financial reporting section lacked adequate skills and competencies to apply the principles of the Statements of GRAP and was inadequately capacitated. The organisational structure does not support and promote a proper system of recording, monitoring and supervision of controls to ensure that the information disclosed in the financial statements are accurate and complete as material adjustments relating to various components had to be effected after submission of the financial statements for auditing.
39. Deficiencies in the design and implementation of internal controls resulted in the municipality not conducting regular risk assessments and implementing a fraud prevention plan. A lack of accountability on the part of officials had resulted in my prior year findings not being adequately resolved.
40. Although the audit committee and internal audit are essential elements in good governance, they were not effective during the year under review. The audit committee did not evaluate the effectiveness of internal audit or ensure that follow up audits were conducted on a timeous basis. Furthermore, the audit committee did not meet regularly and did not ensure that the internal audit unit addressed all the requirements of section 165 of the MFMA.

Investigations

41. An investigation is currently being conducted by an independent body. The investigation was initiated based on an irregular manipulation of the billing system which was fraught with errors and manipulations created by the various users of the system. An investigation into this irregularity is pending.
42. An investigation is being conducted to probe the manner in which the irregular activities were reported on the fraudulent issue of road-worthy motor vehicle certificates. Three municipal officials were found guilty of the offence and disciplinary actions are currently pending, subsequent to an investigation. Two of the three officials were required to sign an acknowledgement of debt to authorise the municipality to recover the amounts due.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

Report on performance information

43. I have reviewed the performance information as set out on pages xx to xx.

The accounting officer's responsibility for the performance information

44. In terms of section 121(3)(c) of the MFMA, the annual report of a municipality must include the annual performance report of the municipality, prepared by the municipality in terms of section 46 of the Local Government: Municipal Systems Act, 2000 (Act No. 32 of 2000) (MSA).

The Auditor-General's responsibility

45. I conducted my engagement in accordance with section 13 of the PAA read with *General Notice 616 of 2008*, issued in *Government Gazette No. 31057 of 15 May 2008* and read in conjunction with section 45 of the MSA.
46. In terms of the foregoing my engagement included performing procedures of an audit nature to obtain sufficient appropriate evidence about the performance information and related systems, processes and procedures. The procedures selected depend on the auditor's judgement.
47. I believe that the evidence I have obtained is sufficient and appropriate to provide a basis for the audit findings reported below.

Audit findings (performance information)

Non-compliance with regulatory requirements

Content of integrated development plan

48. The integrated development plan of the Mnquma Local Municipality did not include the key performance indicators and performance targets determined in terms of its performance management system, as required by sections 26(1) and 41(1) (b) of

the MSA and regulation 12 of the Municipal Planning and Performance Management regulations, 2001.

Existence and functioning of a performance audit committee

49. The performance audit committee did not:

- meet at least twice during the financial year
- review the performance management system and make recommendations in this regard to the council of the Mnquma Local Municipality
- Submit an auditor's report to the municipal council on the performance management system at least twice during the financial year.

Internal auditing of performance measurements

50. The Mnquma Local Municipality did not develop and implement mechanisms, systems and processes for auditing the results of performance measurement as part of its internal audit processes, as required in terms of section 45 of the MSA.

51. The municipality's internal auditors of the Mnquma Local Municipality did not audit the performance measurements on a continuous basis and did not submit quarterly reports on their audits to the municipal manager and the performance audit committee.

Usefulness and reliability of reported performance information

52. The following criteria were used to assess the usefulness and reliability of the information on the municipality's performance with respect to the objectives in its integrated development plan:

- Consistency: Has the municipality reported on its performance with regard to its objectives, indicators and targets in its approved integrated development plan?
- Relevance: Is the performance information as reflected in the indicators and targets clearly linked to the predetermined objectives and mandate. Is this specific and measurable, and is the time period or deadline for delivery specified?
- Reliability: Can the reported performance information be traced back to the source data or documentation and is the reported performance information accurate and complete in relation to the source data or documentation?

The following audit findings relate to the above criteria:

Inconsistency reported performance information

53. The Mnquma Local Municipality has not reported throughout on its performance with regard to its objectives, indicators and targets as per the approved integrated development plan.

Reported performance information not relevant

54. The municipality's annual performance report did not indicate the actual performance of the municipality against pre-determined objectives, targets and key performance indicators.

APPRECIATION

55. The assistance rendered by the staff of the Mnquma Local Municipality during the audit is sincerely appreciated.

Auditor-General
East London

30 November 2009



A U D I T O R - G E N E R A L
S O U T H A F R I C A

Auditing to build public confidence

**4.3 COMMENTS BY THE ACCOUNTING OFFICER ON THE REPORT OF THE AUDITOR GENERAL TO THE COUNCIL ON
THE FINANCIAL STATEMENTS 30 JUNE 2009**

SECTION	AUDIT FINDING	ROOT CAUSES	CORRECTIVE MEASURES REQUIRED	TIME FRAME	RESPONSIBLE PERSON	ACTION TAKEN TO DATE
Consumer Debtors	1. Debtors age analysis does not agree to the debtors control account and the noted differences are R6.8m & R2.7m included in the face of the financials	1. This has been caused by the valuation roll that was developed in 2005 which was not clearly categorized and it makes it difficult for the institution to reconcile. 2. Incorrect tariffs uploaded is as a result of the system rights not transparent enough to BTO officials. All tariffs approved are uploaded by Sebata. 3. Limited understanding of audit trail by Sebata resulted to the accounts not reconciled.	1. Valuation roll and property values in the billing system must be reconciled every month. 2. All tariffs captured on the billing system must be checked and agreed to the tariffs as approved by council. 3. Monthly billing must be reconciled to the debtor's control account in the general ledger. 4. Payments received from consumers must be reconciled to the Debtors control acc. In the GL. 5. Monthly, the debtor's age analysis must be reconciled to the debtors control acc in the GL. Both the age analysis by service type and by consumer type. 6. Calculate consumer monthly payment rate. 7. Print out a monthly audit trail of all adjustments in to the debtors including credit balances approved by CFO. 8. Reconciliations to be presented to the CFO monthly to be signed off. 9. Request SEBATA to reconcile	Commenced immediately Y. Monthly process	CFO and Sebata	1. All debtors' balances as at 30/6/09 have been "parked" and handed over to attorneys for collection. 2. A complete new billing cycle has commenced based on the new property valuation roll as from 1/7/09. 3. Reconciliation of GL vs. Bill R and Age analysis are done monthly 4. Reconciliation of cash summary and ledger

SECTION	AUDIT FINDING	ROOT CAUSES	CORRECTIVE MEASURES REQUIRED	TIME FRAME	RESPONSIBLE PERSON	ACTION TAKEN TO DATE	
	a) R2.5m worth of credit balances that could not be explained	Limited capacity in BTO staff in using Sebata resulted in reconciliation not performed accurately	the debtors control account in the GL to the age analysis. And also to make sure that age analysis reconcile to each other.	Request SEBATA to reconcile the debtors control account in the GL to the age analysis. And also to make sure that the age analysis reconcile to each other	March 2010.	CFO	A meeting was held with Sebata on the 11 th January 2009 wherein all the grey areas with system were presented to them. Sebata employee will be sent to the municipality on the week of 18 January-22 January 2010 to address the areas subsequent to that a training workshop shall be arranged to deal with system in February 2010
Creditors	R13.1m included accruals that could not be explained	This has been caused by Sebata system which is unable to produce a realistic report on unpaid creditors and creditors age analysis	Material breaches in the access control/safeguarding of debtors	Develop internal controls for the management of debtors.			
		This is caused by the different reporting mechanisms where at some stage it was IMFO which had due by and due to principle and in GRAP the municipality had	1. Orders issued not paid by end June 2009 will be reconciled against all payments made from July 2009 to December 2009 to clear the unexplained accruals of	April 2010	CFO	Creditor's reconciliation are prepared monthly.	

SECTION	AUDIT FINDING	ROOT CAUSES	CORRECTIVE MEASURES REQUIRED	TIME FRAME	RESPONSIBLE PERSON	ACTION TAKEN TO DATE
	to report on unspent. Secondly the two systems of managing bank accounts which was pastel ;ECMSS and Sebata resulted in reconciliation item missed	R 13.4m.Journals will be passed. 2. Supplier statements to be reconciled on a monthly basis to invoices in the creditors system. 3. The creditor's ledger must be reconciled every month to the creditors control acc. In the GL with the assistance of Sebata. 4. Orders in the creditors system must be cleared every month to ensure that only unpaid orders are reflected. 5. The cheque number must be recorded for proof of payment. 6. Report on orders reconciliation and creditors reconciliation will be tabled monthly 7 . Internal controls will be developed to deal with the management of creditors.			CFO.	Monthly transfers are prepared. Reconciliation of grants received vs. withdrawals and interest received has been done. Currently investigating discrepancies
Unspent Conditional Grant	a) Unspent conditional grant of R9.4m are not supported by bank balance by R2m	This has been caused by reversing unknown figures that are carried from the previous financial years(legacy issue) and be transferred to accumulated surplus without supporting document.	1. Trace all Conditional grants received to a separate bank account from the date of its inception and reconcile them against withdrawals. 2. Discrepancies be noted and reported to council if needs be 3. Transfer all approved expenditure from grant bank account to the main bank account for payment. 4. Transfer approved expenditure	March 2010	CFO.	

SECTION	AUDIT FINDING	ROOT CAUSES	CORRECTIVE MEASURES REQUIRED	TIME FRAME	RESPONSIBLE PERSON	ACTION TAKEN TO DATE
			from grant acc. In the GL. To revenue received in the GL. 5. Reconcile the grant acc. In the GL to the grant bank acc.			
Accumulated Surplus	R2.2m included in the accumulated surplus that could not be explained by management and journal did not have supporting document	Capacity in BTO staff in using Sebata resulted in reconciliation not properly performed	1.Investigate the R2.2m transaction and obtain supporting documentation. 2. If necessary report to council to approve the journal. 3. Monthly report for all journal processed must be reconciled with supporting documents.	Monthly.	CFO	
Revenue	a) Rates revenue is overstated by R 9.4m this is as a result of duplicate processing or support of the journal passed b) Properties under the control of the municipality were not valued for property rated	Municipality has no dedicated unit/personnel to manage and monitor the valuation process. The municipality completely rely on service provider to prepare and complete the exercise	The process indicated under consumer debtors above will deal with this problem	As above	As above	
Service Charges	c) Tariffs for Fire levy and refuse	This has been caused by the municipal tenants that are refusing	1. Valuation roll and property values in the billing system will be reconciled every month.	Monthly	CFO	
		All tariffs captured on the billing system will be checked and	February 2010	CFO		

SECTION	AUDIT FINDING	ROOT CAUSES	CORRECTIVE MEASURES REQUIRED	TIME FRAME	RESPONSIBLE PERSON	ACTION TAKEN TO DATE
	removal used were incorrect as they are not agreeing to tariff policy/structure adopted	to sign lease agreements and that makes it difficult for verification of tenants in the municipal flats	agreed to the tariffs as approved by council.			
d)	Rental disclosed in the financials were not supported by the documentation	Incorrect tariffs uploaded are as a result of the system rights not transparent enough to BTO officials. All tariffs approved are uploaded by Sebata. Interest charged is amongst tariff set in the system for it to be charged	1.Carry out a survey of the current tenants in the flats and their income 2.Enforce the signing of lease agreements 3.All rental revenue disclosed as rental revenue must be reconciled to a receipt and the receipt number reflected 4. All receipts must be traced to ensure posted to the correct revenue account in the GL. 5. Rental register must be developed and updated on a monthly basis. 6.Outstanding rentals for previous tenants to be handed over for collection	February 2010 Monthly	Corporate Services Director Corporate Services Director and Legal Advisor CFO	Monthly updates on rental register is being prepared
1.	Interest Earned- Outstanding Debtors	System challenges because the Sebata system was unable to issue reports monthly of credit balances	Request Sebata to investigate the masters file to check the discrepancies and report on the findings. Any findings that can be corrected must be rectified	March 2010	CFO	A meeting with Sebata was held to discuss the audit findings
Value Added Tax	a) Management could not	This was caused by the municipality not understanding	1. An analysis of the Sebata system must be done to check if it	March 2010	CFO	Sebata has been instructed to come

SECTION	AUDIT FINDING	ROOT CAUSES	CORRECTIVE MEASURES REQUIRED	TIME FRAME	RESPONSIBLE PERSON	ACTION TAKEN TO DATE
	provide explanation of R 719 565 or reconciliation to support the amount of vat disclosed in note 10 and figures disclosed was not reconciled with SARS balances of R3.3m and R1.3m respectively	SARS guidelines as a result invoices were penalised	pulls all the vat votes. 2.Reconcile SARS statement with VAT 2011 and report on findings 3. Pass the necessary journals with the approval of the CFO. 4.Meeting to be set up with SARS to arrive at the correct amount and pass the necessary journals 5. Reduce the number of VAT accounts on the system.	February 2010		and sort out the problem immediately
	b) R2.3m input credits that was not claimed as a result invoices that worth R 752 876 are pending from SARS because of the apportionment	System challenges; some transactions that were supposed to credit or debit bank vote will take the next available vote which is not correct bank account	1. Set up a meeting with SARS to discuss invoices that were excluded. 2. Findings must be reported to the council	March 2010	CFO	A meeting with SARS has been requested to discuss PAYE; Vat and SARS issues
Bank Overdraft	1. Bank overdraft was disclosed at R5.7 mill. On the face of the statement of financial position. Incorrect processing of transactions in the general ledger resulted in the general ledger balance not agreeing	Misinterpretation of GRAP by officials ; Instead of using contract amounts, budget amounts were used.	1.Sebeta to Investigate the un-reconciling amount of R 571 194.00.Findings must be corrected and reported 2. Each bank control acc. In the GL must be reconciled every month to the bank statements including main account. 3. Stale cheques must be reversed	February 2010	CFO	Monthly reconciliations are performed.

SECTION	AUDIT FINDING	ROOT CAUSES	CORRECTIVE MEASURES REQUIRED	TIME FRAME	RESPONSIBLE PERSON	ACTION TAKEN TO DATE
	with the cash book by an amount of R571 194. In addition the bank overdraft was overstated by R496 327 as a result of the untimely clearing of the bank suspense accounts and the non reversal of stale cheques.	monthly.	4. SEBATA service providers will be engaged to limit the number of suspense accounts that can be easily accessed and to prevent posting to any suspense account in the GL. 6. The use of suspense accounts will be discouraged, and the CFO would ensure that if a suspense account is used it will be cleared on a monthly basis. 7. Internal controls will be put in place to ensure that not all accounts are easily accessible. 8. SEBATA must correct their system to prevent posting to any suspense account in the GL.		CFO	A meeting was held with Sebata and proposal will be made to resolve activation of the module. A spreadsheet has been consolidated for capital commitments for 2008-2009.
Capital commitments	Capital commitments were disclosed at R 28.9 mill. In note 32 to the annual financial statements. Management was unable to provide adequate supporting documentation in support of this balance	Misinterpretation of GRAP by officials ; Instead of using contract amounts, budget amounts were used.	1. Capital commitments disclosed in 2008/2009 financials must be reversed as they were disclosed using budget figures instead of project values. 2.Request Sebata to activate the Capital module in the system so as capital transactions can be monitored in the system 3.Disclosure note be corrected using correct figures			
Retirement benefit information	Note 33 of the financial statements paraphrased reads 'All employees	Interpretation of GRAP by staff	The municipality must obtain a quotation for the cost of carrying out actuarial valuation for	April 2009	Corporate Services Director	Currently drafting a specification

SECTION	AUDIT FINDING	ROOT CAUSES	CORRECTIVE MEASURES REQUIRED	TIME FRAME	RESPONSIBLE PERSON	ACTION TAKEN TO DATE
	belong to 4 defined benefit retirement funds and that councilors belong to 1 defined benefit retirement fund “Contrary to the prescripts of IAS19, Employee benefits, the accounting officer did not disclose the actuarial valuation of the municipality’s obligation towards each of these funds.		2008/2009 and the subsequent years. Include fees in the revised budget 2009/2010 for the actuaries.			
	Employees related costs	System challenges Employees related costs are disclosed at R 52.1 mill. On the face of the statement of financial performance and note 20 to the annual financial statements. The disclosure is overstated when compared to the payroll by a non-reconciled difference of R 1.3 mill. In addition management could not provide reasons to support the salary control account disclosed at R 2.7 mill. As a payable in note 4 to the annual financial statements.	1. Prepare a reconciliation of payroll and ledger for 2008/2009. 2. Investigate the R1.3m discrepancies and prepare the necessary journal entries. 3. Payroll must be reconciled every month to the control account in the GL	R1.3m before end March 2010 Monthly	CFO.	Monthly reports of employee related costs are prepared and submitted

SECTION	AUDIT FINDING	ROOT CAUSES	CORRECTIVE MEASURES REQUIRED	TIME FRAME	RESPONSIBLE PERSON	ACTION TAKEN TO DATE
Cash flow statement	The cash flow statement prepared by the municipality is misstated by R 43.9 mill. Due to incorrect amounts disclosed under cash generated by operations. The extent of the misstatement is due to non-cash write off of bad debts.	Understanding of GRAP resulted cash flow statements to be misstated	Noted correct presentation to be submitted at 30/6/2010		CFO	
Internal Audit Charter	Internal Audit Charter not approved by Audit Committee	The previous audit committee approved the Internal Audit Charter but there were no supporting documents (minutes) in that regard	Audit Charter must be approved by Audit Committee and adopted by Council	End December 2009	Internal Audit Manager	Internal Audit Charter was approved by the Audit Committee on 20 August 2009 and adopted by Council on the 18 November 2009
Performance Audit Committee	Performance Audit Committee not effective for the period under review	The previous Audit Committee was not appointed to audit performance due to budget constraints	Prepare a report on re-appointment of audit committee as Performance Audit Committee submit to Council for approval Appoint the current audit committee to be Performance Audit Committee	End December 2009	Internal Audit Manager	On 11 January 2010, the current Audit Committee was re-appointed to audit performance following a Council approval on 18 November 2010.
Draft Fraud Prevention Plan	Draft Fraud Prevention Plan was not approved by Council	Resignation of Internal Audit Manager in March 2008 and the replacement of the Audit Committee members by the new ones	Fraud Prevention Plan must be workshoped to councillors and staff, and be tabled to Council for approval	End February 2010	Internal Audit Manager	Fraud Prevention Plan was workshoped to Councillors on 24 th November 2009
Internal	The following key	This was caused by the	Include in the Charter the key	End	Internal Audit	This was done on

SECTION	AUDIT FINDING	ROOT CAUSES	CORRECTIVE MEASURES REQUIRED	TIME FRAME	RESPONSIBLE PERSON	ACTION TAKEN TO DATE
Audit Charter	information was not included in the Internal Audit Charter <ul style="list-style-type: none"> • Responsibility to maintain a professional Internal audit unit with sufficient skills , knowledge, experience and qualifications and • The requirement that the appointment or dismissal of the Head of Internal Audit should be concurred by the Audit Committee 	replacement of the audit committee members by the new committee, and the resignation of former Internal Audit Manager	information and submit to audit committee for approval	December 2010	Manager	the 20 th August 2009.
Policies and Procedures		There are no written policies and procedures in place to ensure that the audit approach and methodology applied comply with the International Internal Auditing Standards; and Internal Audit staff did not sign declaration of independence	This was caused by the replacement of the audit committee members by the new committee, and the resignation of former Internal Audit Manager	End March 2010	Internal Audit Manager	Draft Internal Audit Manual has been developed and waiting to be submitted to Council.
Quality	No internal and external	This was caused by the	Develop those policies and procedures.	End March	Internal Audit	Sign the declaration of independence Certificate
			Perform quality assurance review	End March	Internal Audit	

SECTION	AUDIT FINDING	ROOT CAUSES	CORRECTIVE MEASURES REQUIRED	TIME FRAME	RESPONSIBLE PERSON	ACTION TAKEN TO DATE
Assurance Review	quality assurance review activities performed	replacement of the audit committee members, by the new committee		2010	Manager	
Internal Audit Plan	Internal Audit Plan did not include certain key information <ul style="list-style-type: none"> An evaluation of accounting procedures and practices and Audit of loss control 	This was caused by the replacement of the audit committee members, by the new committee	Fill the gap in the plan and submit to the committee for approval	End March 2010	Internal Audit Manager	
Audit Committee	Internal Audit Plan did not include the audit of performance information.	This was caused by the replacement of the audit committee members	Amend the Internal Audit Plan	End March 2010	Internal Audit Manager	
	No assessment of the effectiveness of the audit committee was performed.	This was caused by the replacement of the audit committee members	Develop assessment form for audit committee	End March 2010	Internal Audit Manager	
	Audit committee did not meet separately with external audit at some point during the year	This was caused by the replacement of the audit committee members	Audit committee to schedule date with external auditors	End March 2010	Internal Audit Manager / Chairperson	
	Audit Committee did not meet with the management for the period under review.	This was caused by the replacement of the audit committee members	Invite management to the Audit Committee Meeting	Continuously	Internal Audit Manager / Chairperson	
	No discussion done by Audit Committee and External Auditors in connection with proposed audit coverage	This was caused by the replacement of the audit committee members	Invite External Auditors to discuss audit plan	End March 2010	Internal Audit Manager / Chairperson	
	Audit Committee did not comply with the Audit Committee	This was caused by the	Comply with the Audit Committee	Continuously	Internal Audit	

SECTION	AUDIT FINDING	ROOT CAUSES	CORRECTIVE MEASURES REQUIRED	TIME FRAME	RESPONSIBLE PERSON	ACTION TAKEN TO DATE
	comply with the audit charter in connection with sitting of meeting that say four times per annum. It was revealed that the committee sits three times period under reviewed.	replacement of the audit committee members	Charter	slly	Manager / Chairperson	
	Audit Committee did not meet to review draft annual financial statements.	This was caused by the replacement of the audit committee members	Invite Audit Committee to the presentation of draft financial statement	Continuously	Internal Audit Manager	This was corrected on the draft financial statement 2008/2009. The audit committee was invited.
	Audit Committee did not meet to review draft quarterly financial statements.	This was caused by the replacement of the audit committee members	Invite Audit Committee to the presentation of draft quarterly financial statement	End March 2010	Internal Audit Manager	
	Audit Committee did not report on the effectiveness of internal audit for the period under review	This was caused by the replacement of the audit committee members, by the new committee	Develop checklist on the function of the audit unit	Continuously	Internal Audit Manager / Chairperson	
Risk Management Policy	Risk Management policy not adopted by Council	This was caused by the replacement of the audit committee members, by the new committee	Submit the policy to the council and workshop it	End December 2009	Internal Audit Unit	Policy adopted by council on the 18 th November 2009 and works hoped to Councillors on the 24 th November 2009



MNQUMA LOCAL MUNICIPALITY



CHAPTER 5 FUNCTIONAL AREA SERVICE DELIVERY

5. OFFICE OF THE MUNICIPAL MANAGER

The office consists of Strategic Management, Internal Audit unit and Office of the Legal Advisor.

5.1 STRATEGIC MANAGEMENT

The Directorate of Strategic Management was reconfigured from the erstwhile Directorate of Strategic Planning and Development in December 2008 through relocation of:

- Land Administration to Infrastructure Planning and Development
- Spatial Planning to Infrastructure Planning and Development
- Housing Development to Infrastructure Planning and Development
- Special Programmes to the Office of the Executive Mayor

This left the Directorate with the task of promoting economic development activities such as tourism, agriculture, mining, fishing, forestry, manufacturing and retail.

In April 2008 the IDP, development, communication, and marketing which were to be performed in the Office of the Municipal Manager reverted back and the Research Unit was established within the Directorate. This heralded a recruitment process that has seen to the appointment of the Director, IDP manager and Research manager and initiation of processes towards appointment of communications Officer, LED manager, Tourism Development Officer and SMME Development Officer.

Within the Municipal context, the directorate plays a leading role in facilitating the attraction of investment into the area.

For optimum realization of its responsibilities, it is divided into two broad activities namely,

1. Strategic Planning which is further divided into

- Co ordination & Monitoring (IDP & PMS)
- Communication and Marketing
- Facilitating the development of macro-strategies (SEA and SDF) and
- Research capable of informing planning

2. Development Planning with its main focus being economic development of the area

Core Functions:

- To co ordinate and manage the formulation and implementation of the Municipal Integrated Development Plan and its related sector plans & strategies
- To co ordinate and manage the formulation and implementation of municipal wide PMS (Performance Management System) and

- To advise and support municipal management on matters related to the macro strategy of the municipality

Other Functions

Local Economic Development

- To stimulate local economic development through tourism & heritage, manufacturing, agriculture, marine industry, mining and mineral exploration, forestry and woodlots.
- To ensure job creation by facilitating local economic development activities and capital programmes
- This entails putting together such systems as LED Strategy, Tourism Strategy etc and facilitate establishment of such structure as LED Forum, LTO, Farmer Associations etc

Communication and Marketing

This function ensures internal and external interfaces whereby the public is informed in a positive manner about the municipality, its activities and potential. Communications and Marketing function will ensure the establishment of a Communications Forum and Communication & Marketing Strategy that is transparent.

It has, also, the responsibility of establishing the IGR –Forum wherein the sector departments, parastatals, institutions of higher learning, private sector business, NGO's and CBO's and the municipality share ideas for forward planning.

Staff component in the Directorate

Director	1
Secretary	1
IDP Manager	1
Research Manager	1
Agricultural Officer	1
Vacant	15

Implementation of the Performance Management System (PMS):

The municipality adopted the PMS framework by March 2008. It was implemented and councillors played a pivotal role in the implementation, monitoring and evaluation of the IDP. Cluster meetings set and received performance reports on quarterly basis. Directorates produced monthly performance reports and submitted them to the Executive management and the Executive Mayor respectively. The PMS was cascaded down to lower levels. Managers reporting to Directors had signed Accountability Agreements, while employees below signed Performance promises.

It should be stated that there were some challenges on the implementation process. The Framework was implemented for the first time and the institution was in a learning curve.

5.1.1 PERFORMANCE REPORT FOR THE YEAR 30 JUNE 2009-STRATEGIC MANAGEMENT

KPA	IDP objective	IDP strategy	Directorate activity	Baseline	Indicator	Weight %	Measurement source	Budget amount	Funding source	Target for the period				Achieved/not achieved	Reason for non achievement	Comment		
										30 Sep	31 Dec	31 Mar	30 Jun	Custodian				
SMME Development	Provide satisfactory support to SMME's by 2009	To develop and consolidate database of SMME's by June 2009	MBIC in place	SMME support strategy developed			Quarterly reports	Part of SBIC funding R 160 000.00	Part of SBIC funding R 160 000.00	Compile a comprehensive database of SMME's	Develop a draft SMME support strategy	Workshop and submit to Council for adoption	Develop policies and procedures based on the strategy	Director Strategic Mgt	Not achieved	There is no provincial and district SMME strategy	A district strategy has just been completed and	
								R100 000		Equi Share				Director Strategic Mgt	Not achieved			
														Director Strategic Mgt	Not achieved			
Environment	Facilitate development of municipality to monitor and regulate activities that may be harmful to the environment	Facilitate recruitment of environmental practitioners	Post of environmental practitioner included in the organogram	Environmental unit in place			Quarterly reports							Environmental planning unit	Not achieved		Environmental practitioner employed	
														Environmental practitioner post filled	Not achieved			
Agricultural development	Revitalization and commercialize agriculture sector	Facilitate development of agriculture to support emerging farmers	Develop regulatory framework	NEMA and environment toolkit			Quarterly reports							By-laws adopted by Council	Not achieved	There was no SEA in place	SEA has just been completed	
Forestry	Promotion of optimum use of developing	To promote optimum use of	Facilitate mobilization	ECDC, DWAf	Number of MLM		Quarterly reports							Facilitate development	Director Management	Not achieved	Capacity challenges	Capacity challenges

KPA	IDP objective	IDP strategy	Directorate activity	Baseline	Indicator	Weight %	Measurement source	Budget amount	Funding source	Target for the period				Achieved/not achieved	Reason for non achievement	Comment
										30 Sep	31 Dec	31 Mar	30 Jun	Custodian		
ment	forestry resources to benefit MLM communities	forestry to benefit MLM	and involvement of the role-players in forestry development	partnership at Sokapse (pilot)	communities benefiting from forestry resources					Iy participation of all role-players at Sokapse forestry project	I of a proper indigenous forestry management structures consisting of DWAF and communities i.r.o. all the indigenous forests (PFMC)	of a proper indigenous forestry management plan	workshop adopted by Council	c Mgt		unit
Fishing	Open up fishing market to benefit communities and other participants for economic development	Investigate our marine culture	Facilitate enhancement of the role players	Fishing permits are being issued	Number of participants in fishing industry	Quarterly	reports	Nil	Nil	Consolidate data and identify training needs	Initiate capacity building and training through SEDA	Capacity building and training ongoing	Director Strategic Mgt	Not achieved	Unavailability of the national policy	
Mining development	Ensure economic benefit of Mnquma through mining sector and enhance potential mining areas.	Facilitate development of regulatory mechanisms through national legislation.	To facilitate regulatory mechanisms through national legislation	Ongoing engagement meetings between DME and communities	Regulatory mechanisms in place	Quarterly	reports			Development of draft by-laws with the assistance of DME	Draft by-laws adopted by Council	Formulation of policies and procedures related to prospecting and mining	Director Strategic Mgt	Not achieved	Capacity challenges	
Tourism and Heritage	Ensure 4% contribution of the sector to GDP by 2012	Develop tourism and heritage strategy in line with that of district	Facilitate development of tourism and Heritage strategy	Draft tourism and heritage strategy	Tourism and heritage strategy in place and being implemented	Quarterly	reports	R 172 480.00	Equi Share	Draft strategy developed and adopted by Council	Lobby and co-ordinate product owners	Develop policies and procedures	Director Strategic Mgt	Not achieved	The review of the district strategy was only completed in January	
Manufacturing and retail	Establishment of a museum by 2012.	Facilitate the establishment of a museum				Quarterly	reports			Facilitate development of a draft strategy	Draft strategy workshop and adopted by Council	Policies and procedures workshoped	Director Strategic Mgt		A tourism and heritage framework has been completed	
	Create an environment that is conducive to investment in the manufacturing	Develop a framework for management of economic development and investment	Facilitate development of a broad LED strategy	Interactions with Hluma Development Agency and Aspire	A comprehensive led strategy that includes mechanisms for attracting investors	Quarterly	reports			Policies and procedures developed from the strategy	Implementation of the strategy initiated	Director Strategic Mgt	Not achieved	Delay in development of N2 corridor strategy	Master plan has been developed and approved by Council and the draft N2 corridor strategy is	

KPA	IDP objective	IDP strategy	Directorate activity	Baseline	Indicator	Weight %	Measurement source	Budget amount	Funding source	Target for the period				Achieved/not achieved	Reason for non achievement	Comment
										30 Sep	31 Dec	31 Mar	30 Jun	Custodian		
			Establishment of strategic partnerships	Partnership established with Hluma Aspire, ECDC, WSU and Wiphold	No of strategic partners solicited	Quarterly reports	Developmen t of terms of reference	Identify strategic partners	Initiate engagement with the identified partners	Monitoring and evaluation of progress	Director Strategic Mgt	Not achieved	The function has been identified and the strategic function therefore it should not reside with the LED unit	-	in place which will assist in the development of the LED strategy	
Unemployment	Reduce unemployment by 5% by 2012	Emphasize and monitor labour intensive approaches in service delivery both in public and private sector.	Gather statistics for EPWP and data for self employment	% reduction in unemployment	Process plan	Quarterly reports	Reduce unemployment by at least 1.2%	Reduce unemployment by at least 1.2%	Reduce unemployment by at least 1.2%	Reduce unemployment by at least 1.2%	Director Strategic Mgt	Not achieved	This activity has been removed in the scorecard of the directorate as it cuts across	-		
Integrate Development Plan	To ensure that the planning processes are improved	Review IDP in line with legislative requirements	IDP steering committee	Implementation of the IDP	ADM	Review process plan adopted	60%	80%	100%	100%	Director Strategic Mgt	Achieved	-	-		
Performance Management System	Implementation of PMS	Ensure that there is continuous performance assessment reviews (PMs)	Monitor and implement PMs	% number of Meetings held	R225 000.00	Equi Share	25%	50%	75%	100%	Director Strategic Mgt	Achieved	-	Monthly performance reviews are done and cluster meetings are done		
Research	Collect data requisite for	Collect data from all	Collate data research unit	Approved research	Reports R 100 000.00	Equi Share	Draft policy	Appointment	Implementation of research	Director	Not achieved	Delay in appointment	Research strategy			

KPA	IDP objective	IDP strategy	Directorate activity	Baseline	Indicator	Weight %	Measurement source	Budget amount	Funding source	Target for the period				Achieved/not achieved	Reason for non achievement	Comment
										30 Sep	31 Dec	31 Mar	30 Jun	Custodian		
Communication	Improve internal and external communication	Develop and implement marketing and communication strategy	sources of information	established	strategy				adopted	service provider	strategy	strategy	strategy		of a service provider	developed inhouse but not adopted by Council. Funds were subsequently allocated for the Customer Satisfaction Survey
	planning	planning														

5.1.2 AUDIT COMMITTEE

The MFMA 56 of 2003 and Local Government Systems Act 2000 compel the Municipality to establish independent audit committees as well as an independent internal audit unit. The audit unit is responsible for the oversight of internal controls, financial reporting and compliance of legislation (MFMA), the committee meets quarterly.

The audit committee comprises of four members, which term expired in 30 January 2009 and new members were appointed:

OLD MEMBERS:

Mr H Hoole (Financial consultant and auditor)
Mr S Dzengwa (Program Manager) (Business)
Ms N. Zilwa (Professional Accountant) (SA)

The following new members were appointed on the 2nd February 2009 and their term expired in 30th June 2012.

NEW MEMBERS:

Mr. D.Lefutso (Bachelor of Commerce and Master of Business Administration) – Chairperson of the Audit Committee.
Mr.L.Galada (National Diploma Internal Auditing and B.Tech in Internal Auditing) - Deputy Chairperson of the Audit Committee.
Mr.H. Hoole (Chartered Accountant, B.Comm and CTA) – Member of the Audit Committee
Mr.P.R.Mnisi (Bachelor of Law Degree) - Member of the Audit Committee.

The newly appointed Audit Committee prepared a report on performance of its responsibilities in the year under review which contains the following:

Report of the activities of the Audit Committee Report to the Mnquma Local Municipality – 15 June 2009

1. Purpose

To inform the Council of the Mnquma Local Municipality of the activities of the Audit Committee.

2. Background

The current Audit Committee has been duly appointed by the Council of the Mnquma Local Municipality with effect from 2nd February 2009. An induction and inaugural Audit Committee meeting was held on the 18 March 2009, where the Chairperson and Deputy Chairperson were appointed, they are Mr. David Lefutso and Mr. Loyiso Galada respectively.

3. Activities of the Audit Committee

3.1 *Oversight Committee activities*

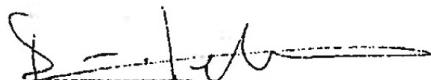
The Audit Committee has participated in the activities of the Oversight Committee to consider the Annual Report and the Annual Financial Statements of the municipality. A report was prepared to provide insight into these two documents. The report was well received by the Oversight Committee on the 8 April 2009.

3.2 *Audit Committee meetings*

The second Audit Committee meeting was held on the 21 May 2009. The following documents were considered and accepted (with amendments), subject to Council's approval:

- Draft Audit Plan;
- Audit Committee Charter;
- Risk Management Policy;
- Audit report: Employee files; and
- Action Plan to address Audit Report.

It was also resolved that the Council should consider appointing the Audit Committee to fulfill the functions of the Performance Audit Committee.



By: David Lefutso
Chairperson-Audit Committee

5.1.3 INTERNAL AUDIT FUNCTION

The internal audit unit is headed by Internal Audit Manager; administratively she reports to the Municipal Manager and functionally to the Audit Committee. The internal Audit unit is understaffed given the work that needs to be performed and responsible to play a role of secretariat to the audit committee. Currently the unit is assisted by Internal Audit Intern currently.

5.1.4 OFFICE OF LEGAL ADVISOR

Council since Sept 2004 to 31-12-2008 recorded 93 cases of which cases:

- a) Council instituted in 2007/8 = 9 cases (excluding evictions)
- b) Total Cases instituted against Council for 2007/8 = 40
- c) Cases to date successfully defended in 2007/8 = 9
- d) Cases still pending in Court = 31
- e) Approximate value of claims instituted by Council = 13 Million rand
(Contracts concluded for roads and bridges not successfully constructed and/or completed)

Council concluded the following agreements (MOU'S):

- a) Dept of Health
- b) Dept of Transport
- c) Dept of Recreation, Arts and Culture (Libraries)

Council is in the process of negotiations to sign MOU'S with the District Council for:

- a) District waste disposal site and
- b) Disaster management

Council obtained 42 eviction orders against Lessee's who refused to Sign lease agreements with Council whilst occupying Council property.

Council is awaiting the donation Council accepted for buildings from the Dept of Public Works which will be renovated and used as Municipal Offices which donation document was signed by Council.

The Legal Section also dealt with various Legal opinions, transfer of houses to beneficiaries, conclusion of various tender contracts with successful tenderer's and general correspondence including town planning matters of a legal nature. (Total number of files opened in legal section exceeds 300.)

Since 2004 to 31-12-2008 Council has not lost any civil case either instituted by Council or against Council.

Two Disciplinary appeals to the Labour Court are still in Court.

Council has been very successful during the past financial year in relation to Civil Court cases and the remaining Civil cases will hopefully be finalized during the year.

5.2 BUDGET AND TREASURY OFFICE

The Directorate consist of the following:

Budget and financial reporting
Expenditure and salaries
Supply chain management unit
Revenue and debt management

MFMA act 56 of 2003 compels the municipality to establish Budget and Treasury office in which the main role is to administer the financial affairs of the Municipalities.

Staff component is as follows:

Director	1
Secretary	1
Budget and Financial reporting	3
Expenditure and Salaries	9
Supply chain management	3
Revenue and debt management	7
Finance management grant interns	3
DBSA Interns	4
Vacant	

Budget and Financial Reporting

Core function of this section is the coordination and compilation of MTREF budget as prescribed in Chapter 4 of the MFMA. The budget has to comply with National Treasury guidelines (circular).

The section is also responsible for financial reporting, management of investments and loans, compilation of annual financial statements and cash flows and management of projects expenditure as prescribed in chapter 8.

Expenditure and Salaries

The section is responsible for the timeous payments of municipal creditors as prescribed in chapter 8 of the MFMA.

It is responsible for the administration of payroll for permanent staff, temporal staff, and councillors. Issuing of IRP5 certificates and reconciliation of expenditure votes.

The section is also responsible for stores, which is for acquisition, safekeeping and issuing of stores items, recording redundant and absolute stock and report to

council. Stores section has since moved to supply chain management and the payroll section has also moved to the Expenditure section in January 2008.

Supply Chain Management

The section has since been transferred to Budget and Treasury in December 2008. The section is one of the sections regulated by MFMA 56 of 2003 chapter 11. The section is responsible for procurement of goods and services of the Municipality through Supply Chain Management policy adopted by council.

Revenue and Debt Management

The revenue and debt management is prescribed in chapter 8 of the MFMA 56 of 2003. The revenue of the municipality is derived from rates and refuse removal, rental, traffic fines, income from drivers licenses and permits (traffic income) and other services like selling burial sites, parking meter commission.

There about 10 000 consumers that are receiving monthly municipal accounts.

5.2.1 ANNUAL PERFORMANCE REPORT FOR THE YEAR 30 JUNE 2009-BUDGET AND TREASURY

KPA (From IDP)	IDP STRATEGY (From IDP)	DIRECTORATE ACTIVITY (from Scorecard)	MEASURE / STANDARD (What was the expected outcome during the year?)	ACHIEVEMENT (What have you actually achieved / done?)	SCORE (What is the %)	COMMENTS ON ACHIEVEMENT / SCORE (Provide reasoning for the score)
Financial Viability	Broadening of revenue base	Set Committees to evaluate the implementation of policies	1 meeting of steering Committee	BTO introduced three committees being Credit Control Steering Committee, Budget Steering Committee (which was already functioning) and project steering committee.	100%	More than one meeting was held per each quarter
				Successful meetings for steering committees for this year were 6, budget steering committee were 3 and project steering committee were 3		
	Broadening of revenue base	Develop Revenue enhancement Strategy	Implementation of strategy	An assessment of the billing system was conducted. Actionable items were identified and the municipality came up with projects that are currently implemented and others need a lot of funding to be fully implemented. A comprehensive strategy was never developed due to limited funding. A turnaround plan was developed and implemented.	75%	Additional funding was required to develop a complete strategy.
	Broadening of revenue base	Monitor the implementation of	Revenue Increase by R 487 590.00	For the first quarter the target R 4.5m and collection was R	80%	.

KPA (From IDP)	IDP STRATEGY (From IDP)	DIRECTORATE ACTIVITY (from Scorecard)	MEASURE / STANDARD (What was the expected outcome during the year?)	ACHIEVEMENT (What have you actually achieved / done?)	SCORE (What is the %)	COMMENTS ON ACHIEVEMENT / SCORE (Provide reasoning for the score)
		a reviewed tariff structure		4.7m the target was met exceeded by R 200 000, in December the target was R 9.1m and the collection was R 9.2m and target was also met. In September the target was R 13m and collection was R 12.5 and target was not met and by and for the year ending 30 June the target is R18m and the collection as at May 2009 is R16 033m that means a R2.0m has to be collected by end of the month. The Directorate is unable to hand over the files to current attorneys because of the back log on files submitted to them. A turnaround plan developed in April had a strategy of calling all debt collectors to come and make presentations and that process is still at the evaluation stage. The intention of the directorate is to hand over all the debt as at end June 2009		
	Leverage of local, national and	Submit business plan for funding	Number of business plans	Two (2) requests for funding were submitted to DBSA and	100%	

KPA (From IDP)	IDP STRATEGY (From IDP)	DIRECTORATE ACTIVITY (from Scorecard)	MEASURE / STANDARD (What was the expected outcome during the year?)	ACHIEVEMENT (What have you actually achieved / done?)	SCORE (What is the %)	COMMENTS ON ACHIEVEMENT / SCORE (Provide reasoning for the score)
	international Resources.		submitted	Local Government but no positive response was achieved. A business plan was then developed and submitted to MM which was directed to National Treasury		
	To ensure the SCM responds to National and local needs	Implement supply chain processes as approved by council	Quarterly reports on implementation of policy	Quarterly reports are submitted to council on the implementation of policy. The municipality has awarded 43 contracts of which 12 contracts were awarded to companies with female representatives and 30 companies had 100% HDI status. As a result of projects awarded 212 employment opportunities have been created, with 53 Females and 168 males. Awarded tenders ranging between above R 20 000 and R6, 3m. The highest tender awarded is R 6.3m for Mthawelanga access road followed by Vuley Valley internal streets.	100%	
	Economic use of resources	Identify mismanagement of fuel, stationery and catering expenses and	Monthly reports submitted	A request was sent to all Directorates for specimen signature for petrol and that has been achieved. Fuel expenditure is then captured	100%	

KPA (From IDP)	IDP STRATEGY (From IDP)	DIRECTORATE ACTIVITY (from Scorecard)	MEASURE / STANDARD (What was the expected outcome during the year?)	ACHIEVEMENT (What have you actually achieved / done?)	SCORE (What is the %)	COMMENTS ON ACHIEVEMENT / SCORE (Provide reasoning for the score)
		develop action plan		and presented as part of monthly reports submitted to the MM. To improve on monitoring we went out on tender for fleet management system for proper monitoring of fleet. Catering expenditure has been reduced as compared to the last financial year due to reduction of nice to have expenditure on catering.		
	Safeguarding of assets	Develop internal procedures to manage assets	Monthly report submitted	Directorate identified a need for development and tracking of municipal assets and record them to the asset register. Procedure manual has been developed and circulated to directorates. Asset management policy is being implemented.	95%	
	Develop and implement a comprehensive strategy to deal with Auditor General's findings to ensure clean audit	Develop an action plan to address audit findings		2007/08 action plan was developed and forwarded to all directors for comments and it was also discussed with Auditor General for their inputs and comments. The plan is currently being implemented. Achievable tasks in the action plan are as follows (reading from the	100%	Action plan has been developed

KPA (From IDP)	IDP STRATEGY (From IDP)	DIRECTORATE ACTIVITY (from Scorecard)	MEASURE / STANDARD (What was the expected outcome during the year?)	ACHIEVEMENT (What have you actually achieved / done?)	SCORE (What is the %)	COMMENTS ON ACHIEVEMENT / SCORE (Provide reasoning for the score)
Corporate governance	Compliance with legislation & Financial Reporting	Adhere to the requirements of relevant legislation and compliance	Meet targets in the compliance checklist and report thereon.	progress to date in the action plan)	100%	- A checklist that reveals the following reports has been developed and submitted: -11 S71 reports prepared and submitted to Executive Mayor and Provincial Treasury -11 MSIQ, DHLGTA &FMG reports are prepared and submitted on time. -11 bank reconciliations are prepared. -3 quarterly reports were prepared and submitted to council. -2007/08 annual report was developed and submitted to council in January and later approved after it has been considered by the oversight committee in April 2009. - Budget process plan adopted in August 2008 and implemented until final adoption of budget in June 2009 by council. - AFS submitted by 31 August and audited within the prescribed time.

KPA (From IDP)	IDP STRATEGY (From IDP)	DIRECTORATE ACTIVITY (from Scorecard)	MEASURE / STANDARD (What was the expected outcome during the year?)	ACHIEVEMENT (What have you actually achieved / done?)	SCORE (What is the %)	COMMENTS ON ACHIEVEMENT / SCORE (Provide reasoning for the score)	
		Safeguarding of assets and risk management	Establish risk management committee	One meeting to review risk register	Risk committee was established with terms of reference. Review of the risk registers developed in 2005 informed the committee to take a decision of reviewing all risk registers in their directorates. The task was performed by all directorates within the specified date. All registers were submitted to IA with intention of consolidation. In the last meeting it was agreed that a session be held to deal with all risks identified and presented. That session was scheduled for 17 June 2009 and it was later postponed due the strategic session and it will be held before 30 June 2009	100%	Risk has been done and risk registers developed and the outstanding 5% is for presentation of risk registers.
	Continuous performance assessment reviews (PMS)		Develop and implement the accountability agreements and performance promises	Accountability agreements and performance promises developed and implemented.	100%	Monthly AA's and PP's are developed and submitted	

KPA (From IDP)	IDP STRATEGY (From IDP)	DIRECTORATE ACTIVITY (from Scorecard)	MEASURE / STANDARD (What was the expected outcome during the year?)	ACHIEVEMENT (What have you actually achieved / done?)	SCORE (What is the %)	COMMENTS ON ACHIEVEMENT / SCORE (Provide reasoning for the score)
		Develop Staff Keys Book	Draft report to standing committee	Staff keys have been developed and it is a bulky document that needs A3 paper to be printed. The directorate is currently balancing it with 2009/10 budget.	100%	A draft staff key is available for inspection.
			Ensure efficiency on council processes	Adherence to standing rules of order and institutional calendar	100%	All reports for standing, mayoral and council are submitted on time.
Integrated Development Planning	Review IDP in line with legislative requirements	Contribute in the IDP Document	At least one cluster meeting was held.	Situation analysis has been reviewed and updated. The chapter on financial plan has been reviewed.	100%	

5.3 INFRASTRUCTURAL DEVELOPMENT AND PLANNING

The Directorate is one of the biggest in the municipality. The core responsibility of the directorate is the provision of basic services and infrastructure to the community.

It consists of four units being Roads and Public works, Electricity, Workshop, and Building.

Roads and Public works

It mainly deals with access roads, storm water, open drainage system, pavement management and kerb laying and maintenance thereof in terms of its powers and functions.

Building

This Section deals with the scouting of building plans and regulations thereof. It also deals with the implementation of building legislation and regulations including preventing and controlling erection of illegal structures and billboards. It is also responsible for the repairs and maintenance of municipal properties.

47 building plans were approved and the value of the building plans amounted to R 8 965 961.00.illegal structures within Mnquma are 27 and the municipality has approved 01 bill board.

Mechanical Workshop

This Section deals with repairs and maintenance and licensing of the Municipal Fleet.

68 municipal vehicles have been licensed with a cost R 59 389.60 and 52 vehicles have been serviced with a cost of R 270 238.15

Electrical

This is a shared function between Eskom and Mnquma Local Municipality in that Mnquma deals with the construction and maintenance of street lights, high mast lights, robots and council properties whereas Eskom deals with the power distribution to all Mnquma areas.

Below is the table indicating maintenance in terms of electricity

Number of sets of robots maintained	04
Number of street lights maintained in Mnquma	04
Number of High mast lights maintained	20
Functionality of Street lights	40 %
Functionality of robots	90 %

INFRASTRUCTURAL DEVELOPMENT AND PLANNING ANNUAL PERFORMANCE REPORT 30 JUNE 2009

KPA	IDP Objective	IDP Strategy	Directorate Activity	Baseline	Indicator	Weight %	Measurement source	Budget amount	Funding source	Target for the period				Achieve/ not achieved	Reason for non achievement	Comment
										30 Sep	31 Dec	31 Mar	30 Jun	Custodian		
Roads & Transport	To ensure adequate transportation system for the efficient movement of goods and people by 2012	Integration between Mnquma Local Municipality and ADM regarding implementation of Integrated Transport Plan.	Review of Mnquma IDP.	Existing IDP.	Adopted Transport Plan.	Quarterly report	Nil	Nil	Localized Transport Plan	-	-	-	-	Director Infrastructure Spatial Planning, Land and Housing Development	Not achieved	IDP ready still to be presented to council
		Construction of N – 2 bypass.	Engagement of relevant authorities for the funding of the project.	O	Appointment of services provider for the preparation of a Business Plan.	Quarterly report	Nil	Nil	Approach National Department of Transport and SANRAL	Lobby other stakeholders and continue negotiations with transport	Lobby other stakeholders and continue negotiations with transport	Start facilitation of development of business plan	Director Infrastructure, Spatial Planning, Land and Housing Development	Achieved	Commitment letter received from SANRAL for the appointment of the service provider	
		Quantification and addressing of infrastructure backlog.	Preparation of the Business Plan	Appointment of the Service Provider	Completion of Business Plan	Nil	Nil	Interaction with Service Provider	Interaction with Service Provider	Interaction with Service Provider	Application for funding	Director infrastructure, Spatial Planning, Land and Housing Development	Achieved through Comprehensive Infrastructure Plan			
		Procurement of construction plant	Engage the council for funding and engage in procurement process	2 graders old and new loader old, back actor, 1 truck old	Availability of the minimum plant required for maintenance	Quarterly report	R 2 200 000.00	Equi Share	Sorting the approval of Council in adopting the principle	Sorting the approval of Council in adopting the principle	Procurement processes	Procurement processes	Director infrastructure, Spatial Planning, Land and Housing	An Excavator was purchased		

KPA	IDP Objective	IDP Strategy	Directorate Activity	Baseline	Indicator	Weight %	Measurement source	Budget amount	Funding source	Target for the period				Achieve/ not achieved	Reason for non achievement	Comment
										30 Sep	31 Dec	31 Mar	30 Jun	Custodian		
			Construction O	Number of roads identified and completed	Quarterly Resource	Quarterly R3184 709.00	Equi Share	Identification of such roads	Start construction	construction	construction	construction	Development	Implemented through plant hire		
		Identify areas that have no access on rainy days due to steep roads	Construction of basic wheel slips on steep rural roads													
	To ensure community access to sustainable provision of adequate public transport facilities by 2012	Lobby relevant authorities to construct, maintain and upgrade roads that are not access roads as identified by SDF (National and Provincial Roads)	Facilitate the maintenance of provincial roads through Area Wide Maintenance Contract Project Steering Committee	Total km's of roads maintained	Area Wide maintenance Contract in place	Quarterly report	R12.5m	Dept of Transport	Engagement	Engagement	Engagement	Engagement	Engagement	Achieved		
		Engage department of Transport for surfacing of the following roads Centane /Seagulls, Ibilka and Mazeppa	Engagement of relevant authorities like Dept of Transport	Availability of the minimum plant required for maintenance	Nil	Quarterly report	Nil	Engagement	Engagement	Engagement	Engagement	Engagement	Engagement	Director Infrastructure, Planning, Land and Housing Development	Held meetings with Dept of Transport and submitted business plans for Surfacing of DR08401, inaccessible roads, Road to Bawa	

KPA	IDP Objective	IDP Strategy	Directorate Activity	Baseline	Indicator	Weight %	Measurement source	Budget amount	Funding source	Target for the period			Achieve/ not achieved	Reason for non achievement	Comment	
										30 Sep	31 Dec	31 Mar	30 Jun	Custodian		
Electrification	To facilitate increase of household access to legal electricity connections to 80% by 2012	main roads leading to tourism attraction points	Maintain existing relations with Eskom and develop strategic alternative to improve communication	Sitting of regular meetings	Ad hoc communication	Good working relations	Quarterly Reports	-	-	Quarterly Meetings	Quarterly Meetings	Quarterly Meetings	Quarterly Meetings	Director Infrastructure	Achieved	Falls, Esidutini Bridge, Plant Purchase
			Facilitate achievement of 80% connection to electric grid by 2012	Processing of applications and prioritization	50% access to electric grid	Increased number of household with access to electric grid	% increase of households with access to electric grid	DME	Engagement with Eskom	Engagement with Eskom	Engagement with Eskom	Engagement with Eskom	Engagement with Eskom	Director Infrastructure	Achieved	
			Facilitate achievement of 100% connection to electric grid by 2012	Engage DME for alternative energy	Meeting held with DME	Provision of alternative energy	Quarterly Reports	DME	Engagement with DME	Engagement with DME	Engagement with DME	Engagement with DME	Engagement with DME	Director Infrastructure	Not Achieved	No cooperation from the DME
	To ensure that Mnquma Local Municipality community		Develop Business Plan for Mnquma Urban Areas by 2008/2009	Submission of Business Plan for approval by the MIG office	None	Approval of Business Plan	Quarterly reports		Internal	Preparation of Business Plan	Preparation of Business Plan	Approval of Business Plan	Approval of Business Plan	Director Infrastructure	Achieved	

KPA	IDP Objective	IDP Strategy	Directorate Activity	Baseline	Indicator	Weight %	Measurement source	Budget amount	Funding source	Target for the period				Achieve/ not achieved	Reason for non achievement	Comment
										30 Sep	31 Dec	31 Mar	30 Jun	Custodian		
Water	To facilitate that 82% of housing access to water and	Financial Year	Access to street lights in all urban areas by 2012	Comprehensive street Lights Maintenance and Operation Plan	Appointment of qualified staff to lead the process	0	Completion of the Plan	Quarterly reports	0.00	25 %	50 %	75 %	100 %	Director infrastructure, Spatial Planning, Land and Housing Development	Not Achieved	The appointed person had to attend to other commitments
Telecommunication	Facilitate increase of households with access to cellular network coverage through co-operation with Telkom and other service providers to 100% by 2012	Improve interaction with service providers including independent communication authority of south Africa (ICASA) and engage cellular networks for cellular phone coverage	Hold Meetings with telecommunications service providers	MOU signed	MOU signed	Nil	Maintain relations	Director Infrastructure, Spatial Planning, Land and Housing Development	Not Achieved	Due non cooperation by Service providers						
Water	To continue identifying areas that need water and	Interaction with ADM	0%	SLA	Quarterly reports	Nil	Interaction with ADM done on a continuous basis	Interaction with ADM done on a continuous basis	Interaction with ADM done on a continuous basis	Interaction with ADM done on a continuous basis	Interaction with ADM done on a continuous basis	Interaction with ADM done on a continuous basis	Interaction with ADM done on a continuous basis	Director infrastructure, Spatial Planning,	Achieved	

KPA	IDP Objective	IDP Strategy	Directorate Activity	Baseline	Indicator	Weight %	Measurement source	Budget amount	Funding source	Target for the period				Achieve/ not achieved	Reason for non achievement	Comment	
										30 Sep	31 Dec	31 Mar	30 Jun	Custodian			
	at least basic level of water supply by 2008	lobby ADM and other relevant Departments (linked to spatial development plan)												continous basis	Land and Housing Development		
Sanitation	To facilitate that 45% households have access to adequate basic sanitation by 2012	Continue identifying areas that need sanitation and lobby ADM and other relevant Department (linked to spatial development plan)	Interaction with ADM	0%	SLA	Quarterly	Nil	Interaction with ADM done on a continuous basis	Interaction with ADM done on a continuous basis	Interaction with ADM done on a continuous basis	Interaction with ADM done on a continuous basis	Interaction with ADM done on a continuous basis	Nil	Interaction with ADM done on a continuous basis	Director infrastructure, Spatial Planning, Land and Housing Development	Achieved	
Storm Water	To ensure adequate roads network system for the efficient movement of goods and people	Prepare storm water assessment & develop a rectification programme	Assess the urban storm water	0%	Availability of plan	Quarterly report								Assessment process	Rectification process	Rectification process	Partly achieved
Housing development	Facilitate completion of blocked housing project by 2008/2009	Engage Dept of Housing in developing a comprehensive project	Coordinates and facilitates provincial initiatives	0%	% of the Projects unblocked	Quarterly reports				25%	50%	75%	100%	Department of housing	Director Infrastructure	Partly achieved.	With regard to Ngqanakhu e 312 land claim has not been resolved yet. Centane

KPA	IDP Objective	IDP Strategy	Directorate Activity	Baseline	Indicator	Weight %	Measurement source	Budget amount	Funding source	Target for the period				Achieve/ not achieved	Reason for non achievement	Comment
										30 Sep	31 Dec	31 Mar	30 Jun	Custodian		
		implementation plan for each blocked project.														
		Facilitate the development of settlements for households living in inadequate housing conditions	Engage the Department of NHBRC for the completion of the investigation into the project and for the commencement of the rectification programme	NHBRC	Completion of the investigation and the commencement of the rectification programme	Quarterly reports				Department of housing	Report completed	Appointment of the contractor	Construction commences	Director construction continues	Partly achieved	With regard to 282 VIP toilets were constructed, NHBRC & SBA costed reports in respect of Services & top structures were submitted to the Department of Human Settlements for a resolution to unblock the project.
		Facilitate increased household access to appropriate land and housing	Identify and develop where appropriate land and housing development		Project and business plan approved. Process plan adopted	Construction of engineering services				Department of Housing	Procurement processes. General plans approved. Approval	Start of the construction works	Construction works continues	Director infrastructure	Partly achieved	Tender for civil work is under going processes of adjudication in respect of New Rest

KPA	IDP Objective	IDP strategy	Directorate Activity	Baseline	Indicator	Weight %	Measurement source	Budget amount	Funding source	Target for the period				Achieve/ not achieved	Reason for non achievement	Comment
										30 Sep	31 Dec	31 Mar	30 Jun	Custodian		
	to housing by 2014	ent (inline with spatial development framework) and in compliance with breaking new grounds programme (BNG)	thunderstorm engage sector depts. To buy into the BNG concept	by council					of engineering designs						delayed by non submission of comments by sector departments.	
	Facilitate increased household's access to appropriate and sustainable housing by 2014	Facilitate housing development for individuals with income between R3000 and R7000 per month	Ensure that the Project Implementation Plan (PIP) is developed. Facilitate the signing of the MOU. Project Implementation Plan developed. Facilitate the appointment of Service Providers	NHFC as an implementing agent has been appointed by the council for pilot project in the 3 towns (297 houses)	No of service providers appointed		Quarterly reports		Completion of PIP MOU signed	Department of Housing	Completion of PIP MOU signed	Service Providers appointed	Commission of project studies	Director Infrastructure	Not achieved	Application for Rural Housing projects are still with the Department.
	Capacitati	Facilitate increased household's access to appropriate and sustainable housing by 2014	Participation in the Social housing program	0%	Completion of Feasibility Report		Quarterly report		ADM	Meetings with ADM	Start of the feasibility	Completion of the feasibility report	Director Infrastructure	Not achieved	The project will be implemented by ADM.	

KPA	IDP Objective	IDP Strategy	Directorate Activity	Baseline	Indicator	Weight %	Measurement source	Budget amount	Funding source	Target for the period			Achieve/ not achieved	Reason for non achievement	Comment	
										30 Sep	31 Dec	31 Mar	30 Jun	Custodian		
	on local housing development unit	the review of the municipal organogram training of existing personnel		% of the organogram. Number of programmes attended	y report					the organogram and attendance of training courses	approval of the adopted organogram			Infrastructure	Achieved	
Land and Admin	Effectively manage land and land disposal issues in a fair and equitable manner	Ensure that the spatial development framework identifies land for future developments	Facilitate Spatial Development review survey and planning	Old SDF exists GIS exists Butterworth town planning scheme in draft form	Adoption of SDF	Quarterly reports			DHLGT A	Monitoring of SF review processes	Submission of the Draft SDF by the service provider	Inclusion of the SDF in the IDP	Director Infrastructure, Planning and Development	Partly achieved		
	Land acquisition	Resuscitate the land administration committee s	Facilitate establishment of land and administration committee (LAC)s at the local level	LAC's in place	Over arching LAC chaired by the Executive Mayor	Quarterly reports			Approach DLA to clarify the act	Workshop communities	Formation of LAC's	Capacity building of LAC's	Director Infrastructure, Planning and Development	Not achieved	Implementation of ClaRA is still on hold	
		Political engagement of the traditional authorities	Identification of land for development Facilitate negotiations with owners /custodians where necessary	Negotiations have been initiated with Traditional leaders, E CDC & MCSA	Availability of plans	Quarterly reports			Facilitate the signing of MOU's	Submission of Reports to Council	Initiate process of land use planning	Director Infrastructure, Planning and Development	Not achieved	Implementation of ClaRA is still on hold		
	Efficient implementation of building control function, laws such	Ensure compliance with applicable building control legislation	Develop comprehensive plan to address existing backlog in building	0%	Availability of plans	Quarterly report			Development of plan and manual	Sort approval from council prior to implementation	Implementation of plan	Ongoing	Director Infrastructure, Planning and Development	Partly achieved		

KPA	IDP Objective	IDP Strategy	Directorate Activity	Baseline	Indicator	Weight %	Measurement source	Budget amount	Funding source	Target for the period				Achieve/ not achieved	Reason for non achievement	Comment
										30 Sep	31 Dec	31 Mar	30 Jun	Custodian		
	as NBR,LM's By-laws ,Pie Act ,Safety Act etc.		control function.													
	Maintenance of municipal buildings	Development of a building maintenance plan	Existing Plan	Availability of plan	Quarterly report					Development & implementation of plan	Implementation plan	Implementation plan	Implementation plan	Director Infrastructure, Planning and Development	Achieved	
Fencing	To reduce the number of road accidents caused by stray animals in the municipal area by 90% in 2012	To interact & lobby the Dept of roads & transport SANRAL to participate & fund the project	N2-40% Complete	Completed Km's of fencing	Quarterly Reports					Report on the progress made	Report on the progress made	Report on the progress made	Report on the progress made	Director Infrastructure, Planning and Development	Achieved	
Forward Planning and land use management	To facilitate the development of land in a coordinate and sustainable manner	Development of local SDF's for the MLM jurisdiction .	Review of spatial development framework	Pre-evaluation stage	Completion of revised SDF	Monthly report	R 200 000? roll over	DHlGTA	Formulation of SDF	Implementation	Implementation	Implementation	Implementation	Director Infrastructure, Planning and Development	Achieved	
	Designing & implementation of new zoning	Preparation of the zoning scheme	Terms of reference have been developed	Completion of zoning scheme	Monthly reports	Community participation for approval of the township	MEC	MEC approval in compliance with township	MEC	MEC approval for the township	MEC	MEC approval in compliance with township	MEC	Director Infrastructure, Planning and Development	Achieved	

KPA	IDP Objective	IDP Strategy	Directorate Activity	Baseline	Indicator	Weight %	Measurement source	Budget amount	Funding source	Target for the period			Achieve/ not achieved	Reason for non achievement	Comment	
										30 Sep	31 Dec	31 Mar	30 Jun	Custodian		
		schemes and maps for MLM														
Resuscitate the land administration committee	Resuscitate the land administration committee	Only 1 committee exists chaired by Executive Mayor	Number of committees formed functioning of committees	Monthly reports		25%	50%	75%	100%						Not achieved	CLARA still to be promulgated
Land acquisition for the municipality	Seek political engagement of the traditional authorities	Currently engaging Amazizi & Mahubi tribal Authorities	Land that has been acquired	Quarterly reports		10%	20%	30%	40%						Partly achieved	Interactions still going on

5.4 COMMUNITY SERVICES

This is another department that is responsible for service delivery within the municipality. The directorate has 6 Departments being Cleansing, Security, Emergency Services, Health Services, law enforcement and traffic and registration authority services.

Law Enforcement

The law enforcement unit is responsible for:

The law enforcement unit is responsible for:

- Manning of roadblocks to determine vehicle roadworthiness and alcohol abuse
- Issue Spot Fines for Traffic violations
- Execution of warrants of arrest
- Setting up of speed measuring
- General patrols
- Conducting of Point duties
- Attending court cases at the registered magistrate's offices
- Attending road accidents and direct traffic flow
- Attending seminars relating to traffic safety
- Demarcating of Loading Zones and installation of traffic signs
- Conducts learner driving tests and issue learner licenses

During 2007/2008 financial year the Law Enforcement Unit became visible by servicing the above functions and that has contributed immensely in revenue collection. This section has been beefed with ten traffic wardens, four traffic officers and two senior traffic officers.

The non-existence of municipal Vehicle Testing Centre (VTC) and suspension of DLTC (Driver's License Testing Centre) due to non-compliance with national standards impacted negatively to the municipal revenue.

The programs of road marking have been implemented in all CBD areas and certain areas in the townships due to lack of personnel.

Registration Authority-

- Assists members of the Public with Traffic related information
- Tests applicant's competency in learning licenses
- Renewing of driving licenses
- Conversion of driving licenses
- Issuing of temporal driving licenses
- Issuing of professional driving permit
- Issuing of duplicate learning licenses
- Capturing of summonses into NATIS

It is important to highlight that Traffic Municipal Revenue largely depended in the Traffic Fines, Renewals, Conversions of Drivers Licenses, Learners Licenses and PDPs (Public Driving Permits).

Little income is generated from the parking meter operating system which is conducted by service provider (DPS) Deified Parking Meter System despite larger proportions of parking bays created. This system has been identified to be having huge challenges that would continue to hinder any revenue collection and it would be imperative to consider an alternative.

The municipality joined traffic and justice forum to provide advises to the Traffic Section.

Security Services

This section comprises of two Units being Asset Protection Unit and Close Protection Unit

In Asset Protection, the unit is responsible for the following:

- Guard and patrol premises regularly
- Maintain and improve access control
- Recording entries of occurrences during shift
- Avoid any offences/ illegal practices within the premises
- Act as witness in court cases
- Protect all assets from damage and theft
- Record all incidents and observation on post
- Make note of any problems whilst on patrol

The Close Protection Unit provides security service to political office bearers and senior personnel.

Cleansing Services

This section is composed of three (3) sub sections being refuse removal, parks and gardens and cemeteries.

Refuse Removal this subsection performs various activities such as:

• **Street sweeping**

- Undertaken by two teams of workers who only sweep CBD areas.

• **Anti Littering**

- Done on daily basis

- Anti-littering by-laws are in the process of implementation.

• **Dumping/Heap Removal Programme**

- Removal of dumping to all locations is in progress

- "No dumping" signs are installed

• **Rubbish bins**

- Most of them are painted white and located to few strategic positions and the directorate is in the process of increasing the number of those strategic areas

- **Tip Site**

- One tip site in Butterworth is operating illegally as there is no permit.
- Feasibility study has been submitted to the Department of Water Affairs and Forestry to issue permit.
- Amathole District Municipality shall in co-operation with the Department of Environmental Affairs and Tourism close illegal landfill site in Butterworth and the dumping sites in the two units.
- The Amathole District Municipality shall source funding for the construction of transfer stations in the two units.

- **Regional Waste Site**

- Fencing is finished
- Construction of this site is complete and is in a process of being opened for operations

Parks and Gardens -this involves the following sub-activities:

- Grass Cutting
- Bush Cutting
- Tree Trimming
- Flower Planting
- Maintenance of public open spaces

Areas of Operation

- Sports Ground
- CBD streets
- Gcuwa Dam
- Sisonke Park
- Entrances in Townships
- Traffic Offices
- Municipal Clinics

Cemeteries

Maintenance of cemeteries is not fully done to all units due to shortage of personnel. The Directorate ensures proper maintenance of register for graves. The directorate is in a process of fencing cemeteries for the two units.

Health Services

The Mnquma Local Municipality runs two clinics, i.e., Nozuko and Ibika Clinics, which are providing primary health care services to its community. This is a constitutional mandate of the Provincial Department of Health; however, a Service Level Agreement was entered into between these spheres of government and the Department is providing full amount for the running of this service.

The following activities are performed:-

- Anti- Natal Care
- Child Health and Growth Monitoring
- Family Planning / Reproductive Health

- Sexually Transmitted Diseases
- Chronic Diseases
- Communicable Diseases
- Health Promotion
- HIV and AIDS and STI

Emergency Services

This section comprises two sub-sections namely Fire Fighting & Rescue services and Disaster Management

Fire Fighting

This performs the following functions:

- Attending to felt fires and forest fires
- Rescue and Recovery
- Attending Domestic and Industrial Fires

Disaster Management

This is a concurrent function of National and Provincial spheres in terms of Schedule four, Part A of the South African Constitution.

This performs the following functions:

- Damage assessment and assessing
- Disaster awareness campaigns
- Mitigation and responses to disasters
- Co-ordination of rebuilding of Disaster Damaged Homes
- Co-ordination of recruitment and training of volunteers and Communities

5.4.1 ANNUAL PERFORMANCE REPORT 30 JUNE 2009-COMMUNITY SERVICES

**MNQUMA LOCAL MUNICIPALITY
COMMUNITY SERVICES
ANNUAL PERFORMANCE REPORT 30 JUNE 2009**

SOLID WASTE		Achievement (how much have you achieved)				JULY 2008 – JUNE 2009			
Key performance area (KPA) from IDP	Cluster Objective s from IDP	Depart mental Activity	Sub - Activity	Annual Target (what were you expected to do)	Perc entage %	Detail	Reason for non achievement	New target date	Responsible official
Refuse Removal	Ensure optimal utilization of resources	To mobilize resources to improve performance of the section	To lead ,manage and control personnel in order to improve the refuse collection	100%	85%	Refuse has been collected heaps removed, educational program s conducted, but more involvement of communities is	Though educational programs have been conducted but monitoring and continuous engagement is needed		Dir.

	Develop a localized integrated waste management plan	IWMP in place and implemented	Solicit funding for the development of Integrated Waste management	Funding and developed IWMP	40%	In a process of developing IWMP	Delays have been caused by that lack of funds
	Facilitate the construction of transfer station	Engage relevant department (DEAT) and ADM for the construction of transfer stations	Solicit funding and secure land for the transfer stations	To provide refuse collection stations	20%	Meeting had been held with ADM with the intent to solicit them to budget for the construction	NIL Budget allocation is expected in the next financial year
Cemeteries	To undertake feasibility study and environmental impact assessment	Engagement of communities and identification of cemeteries	Improve the standard of cemeteries in all wards to national accepted levels	Quarterly reports	10%	Meeting has been held with Institutional Infrastructure Director and still waiting for them	Waiting for registration for projects in the MIG

	Develop & adopt a cemetery maintenance plan	Develop a comprehensive maintenance plan for cemeteries	Effective implementation of the plan	Maintenance plan developed & implementation started	60%	This project was to be conducted in collaboration with Dedeia that has not yet confirmed formally	Funding not yet available Temporar y horticultur alist has been appointed
	To solicit funding for the improvement of cemeteries	Develop a business plan	To lobby Infrastructure for construction of streets and completion of fencing	To allocate more human resources for the maintenance of cemeteries	65%	To lobby the relevant departments to fasttrack the process	Lack of funds and designs for the cemetery
						Ensure infrastructure provides the directorate with cemetery designs for temporary construction of streets	June 2009 Dir

SECURITY SECTION

Safety &

Director

Security								community services
Facilitate improvement of street lights, bush cutting and access roads	Engage relevant directorates and provide a safe and healthy environment	To identify streets that require lighting	Number of installed lights and clearance of unneeded vegetation	40%	Constantly communicate with relevant departments and sub sections	Shortage of Resources	Pressurize relevant Departments and Sections	2009
Facilitate the provision of satellite police and traffic stations	To engage relevant sector departments and lobby for finances	Identification of locations that need satellite stations	Number of police and traffic satellite stations	10%	Communicate and conduct meetings with relevant departments for establishment	Non-existence of policing forums to obtain views	Engage police stations for establishment of police forums	2009
To facilitate the strengthening of community policing	Revitalize community policing forums and	Constantly acquire reports on establishment and maintenance of	Crime reduction	15%	Communicate and conduct meetings with SAPS & Stakeholders	Lack / Poor commitment from Stakeholders	Scheduling of meetings	2009

	forum and community safety forums	establishment on non areas	policing forums		Communities. Forum establishment and revitalized	2009	Dir
Safety & Security	Improve visibility of traffic	To develop and implement work plan	To facilitate increase of Human Resources	Increase number of traffic Officers	100% Recruitm ent done	NIL	2009
	Monitoring production and generation of income	Improve monitor performance of section	Attendance of traffic court cases & monitoring payment of traffic fines	Increase on Municipal revenue	Encouraging traffic official to attend court and execution of warrant of arrest	NIL	2009
	Improve education and awareness on traffic safety	Organize and conduct traffic safety	Liase with department of transport	Education and awareness has been conducted in schools	Solicit educational material and road safety officer from Department of	Forge working relationships with the DoT	2009

EMERGENCY SERVICES								
Fire Fighting Services	Provision of fire services within a reasonable distance of at least 30km from each centre	Facilitate establishment of satellite stations at Centane & Nqamakhwe	Engage the ADM to monitor the construction process and report on progress thereof	Quarterly report on the progress	40%	Lobby the Infrastructure for the identification of land for a satellite station in Nqamakhwe	Delays in tendering process for Centane Satellite station	Engage ADM & sensitize them about urgency
	To effectively deal with disasters that occur within MLM	To identify Wards vulnerable to disasters and educate communities on disasters	To co-ordinate and facilitate identification of Wards vulnerable to disasters and engage communities on awareness programs	Identification of affected Wards and education programs	45%	Develop reports & facilitate educational workshops.	To do follow up with ADM to establish when the programs are to be continued	2009
PRIMARY HEALTH CARE								
Provision	Provide	Preventi	-Testing all	100%	95%	-	- Hiring of End	Director

of primary health care.	Health to the community of Mnquma	on of mother to child transmission	ANC clients on their first visit to the clinic. -Provide the infected women with AZT and Nevirapine from 28 weeks of pregnancy.	Ensuring the availability of drugs. - Testing kits to be available	Unavailability of people to do the test for 8hrs a day. - Lack of patience from clients to wait.	staff. -Lay counselors to assists in testing.	June	of Community Services
		Facilitate HIV Polymerase Chain Reaction	- Educate HIV positive pregnant mothers to test their babies at 6 weeks of pregnancy.	Check road to Health Cards of babies who come for vaccination at 6 weeks in order to identify those to be tested.	Incompetence of staff at clinic in identification of babies to be tested.	Prof. Nurses to be responsible for immunization.	End June	Director of Community Services.
		Reduction of HIV/AIDS	Increase VCT testing rate.	15%	- Educate clients on safe sex and importance of	Intensify education on safe sex. - Training of all staff members	End June 2009	Director of Community Services

		testing. - Do campaigns. - Test all clients - Maintenance of confidentiality.	knowled ge on VCT.	on VCT	
	Promote safe sex and behavioral change. - Reduction of sexually transmitted infections.	Increase condom distribution .	30% -Educate on condom use.	Peer pressure on teenagers	Visit schools. June 2009
	Increase immunization coverage rate.	Immunize all children's under 1year	90% - Give vaccines at correct intervals. - Do awareness campaigns.	Availability of stocks from Central Medical Stores.	-Improve working relations with other PHC facilities for assistance - Monitor monthly % coverage and consistenc

	Provide drugs to the health facilities.	Monitor the utilization of drugs.	85%	40%	- Prescribe and issue drugs according to patient diagnosis.	Stock shortage from Central Medical Stores.	y.	Order drugs at due date as per CMS calendar.	June 2009	Director Community Services.
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5.5 Corporate Services

5.5.1 Background and Composition

Corporate Services is one of five directorates of the Municipality that is designed to provide support to the service delivery directorates and the entire municipality. Its core functions include the following

(1) Administration Services

The division is responsible for providing general administration support to the entire institution including:

- Council and committee support services providing secretarial functions thereto, including developing and issuing notices and agendas of meetings, taking minutes and ensuring that they are authentic, record keeping, etc.
- Records management including filing documents, reprographic services (faxing, photocopying), managing the Electronic Document Management System, Managing incoming and outgoing mail, messenger services, etc.
- Office services including managing receptions and telephone services (switchboard), allocating and maintaining offices, operating and managing the business centre, etc.
- Estates (Municipal Properties) including processing applications for transfer of township houses, keeping records of municipal properties, administration relating to lease agreement on municipal properties such as the municipal flats and other properties belonging to the municipality.
- Customer Care services including receiving, processing and making a follow-up on complaints and concerns of customers, managing the electronic customer care devices, implementing the customer care policy and strategy and ensuring adherence to the Customer Care Charter of the Municipality.
- Ngqamakhwe & Centane Satellite Office – providing administration and human resources management activities in as far as the office are concerned and also provide same support to the activities of other directorates that are performed in satellite offices, managing the Thusong Centre.

(2) Human Resources Management Division

The division provides human resources activities as a support to the service delivery directorates and the entire institution. These activities include:

- Personnel Administration and Organisational Design, including the recruitment, selection and induction, maintaining personnel records and administering employee benefits
- Employee Wellness – dealing with matters relating to employees and councillors wellbeing, assisting employees to cope with situations affecting them (troubled employees) and therefore their productivity
- Training and Development – this involves the implementation of the Work Place Skills Plan and the Annual Training Plan in line with the Skills Development Act, 1998
- Employee Relations, this includes the implementation of the Disciplinary and Grievance Codes of Council, providing advice on employee matters relating to their conduct, conducting educational awareness campaigns on employee conduct, etc.
- Occupational Health and Safety, this includes the implementation of the OHS Act including establishing safety committees, monitoring their functioning, reporting potential health and danger hazards, etc

(3) Information and Communication Technology Division

The division is responsible for providing ICT infrastructure and software in the entire municipality, providing general support on ICT to the entire institution, ensuring the uptime of ICT, attending to faults, advising on software and hardware issues and managing the website of the municipality.

(4) Office of the Speaker Support

This includes providing administrative support to the office of the Speaker in terms of staff management, administrative support to the committee in the office of the speaker such as the Rules Committee, the Ward Committees, advising on issues of community participation and implementing the policies and strategies relating to declaration of gifts, community participation policy and strategy, etc.

5.5.2 ANNUAL PERFORMANCE REPORT FOR THE YEAR 30 JUNE 2009-CORPORATE SERVICES

Corporate Services Directorate - Annual Performance Report for 2008/2009							Performance Reporting				
KPA	IDP Objective	IDP Strategy	IDP Activity	Baseline	Indicator	Annual Target	Weight %	Actual	Comments	Reason for non-achievement	Performance Target (next financial year)
Financial Viability	Increase the institutions budget and/or Revenue enhancement by 20% by 2012	Optimise the use of resources	Set up internal controls for the use of municipal halls	Nil	Policy and procedures in place and implemented	Develop policy on use of Municipal Halls	25%	100%	The policy with the procedure on the Use of Municipal Halls was developed and presented to Council on the 11 March 2009	None	None
		Broadening of revenue base	Perform the trading regulations function	Council adopted bylaws on street & other trading activities	Policy and procedures on the municipal trading activities and the Business Centre operational	Develop a policy and procedure for the trading regulation function	30%	100%	The procedure on the Trading Regulation Function was developed and presented to Council on the 11 March 2009	None	None

Corporate Services Directorate - Annual Performance Report for 2008/2009						
KPA	IDP Objective	IDP Strategy	Directorate Activity	Baseline Indicator	Annual Target	Weight %
			Manage the budget of the Directorate	Ensure that the budget of the directorate is developed and monitored	Submissions of budget information made to BTO and monthly reports on budget spending	15%
				Ensure that the directorate adheres to the targets set in the Budget Process Plan adopted by Council and monitor implementation of the budget	Produce monthly budget expenditure reports	100% Council on the 11 March 2009

KPA from Strategic Scorecard: Good Governance and Public Participation						
KPA	IDP Objective	IDP Strategy	Directorate Activity	Baseline Indicator	Annual Target	Weight %
Good Governance and Public Participation	Improve municipal governance in line with applicable legislation	Compliance with legislation and reporting	Develop a compliance checklist for the directorate in line with the relevant legislation	Existing compliance checklist	Produce a process plan for each compliance plan developed and adhered to	15% 100% Compliance reports were produced each month on the adherence by directorates on various policy and/or legislative

KPA from Strategic Scorecard: Good Governance and Public Participation							Performance Reporting				
KPA	IDP Objective	IDP Strategy	Directorate Activity	Baseline	Indicator	Annual Target	Weight %	Actual	Comments	Reason for non-achievement	Performance Target (next financial year)
		Improve employee conduct	Implement the Disciplinary and Grievance Codes	Disciplinary & Grievance Collective Agreements	Monthly reports on the processes and the outcomes	Facilitate the implementation of the Disciplinary and Grievance Codes	100%	The directorate has facilitated various disciplinary and grievance cases and has conducted visitations (mini workshops) to the various directorates	compliance requirements	None	None
		Continuous performance assessment reviews	Monitor and review departmental performance	PMS Framework and PPs and AAs	Monthly submission of PPs and AAs by the Directorate	Implement the Performance Management System (AAs and PPs)	15%	100%	The directorate has been able to implement the PMS down to its lower levels	None	None

KPA from Strategic Scorecard: Good Governance and Public Participation							Performance Reporting				
KPA	IDP Objective	IDP Strategy	Directorate Activity	Baseline	Indicator	Annual Target	Weight %	Actual	Comments	Reason for non-achievement	Performance Target (next financial year)
		Develop and implement a comprehensive strategy to deal with auditor general's audit findings in relation to the Corporate Services Directorate	Develop action plan to deal with the auditor general's audit findings in relation to the Corporate Services Directorate	Nil	Action plan developed	Develop and implement Action Plan in response to issues raised in the Audit Findings by the Auditor General	10%	100%	The directorate has developed an action plan to deal with the AG's audit findings and has implemented those actions	None	None
		Develop and implement information management and preservation strategy	Develop a Access to information Manual in line with the Access to Information Act	Nil	Access to information Manual in place	Develop and implement an Information Manual	5%	100%	The Access to Information Manual was developed and presented to Council on the 11 March 2009	None	Review the document to be in line with the current political and administrative arrangements (details of officials and office bearers and inclusion of the Infrastructural Directorate information

KPA from Strategic Scorecard: Good Governance and Public Participation						
KPA	IDP Objective	IDP Strategy	Directorate Activity	Baseline Indicator	Annual Target	Weight %
			sensitive and unauthorised information from leaking	Agreement signed by all employees who deal with information	Have employees dealing with sensitive and confidential information sign Confidentiality Agreements	5%
				Records management policy and central registry manual in place	Use of registry centre by all directorates	15%
			Ensure that the records management policy and central registry manual is fully implemented	Build capacity in the municipality for the implementation of the Records Management Policy and Registry Manual	100%	100%
Improve public participation and	Develop a fully functional ward committee and	Work with all ward councillors and CDWs to improve	Nil	Ward plans developed	Develop ward profiles for all the wards in Mnquma	60%

KPA from Strategic Scorecard: Good Governance and Public Participation							Performance Reporting				
KPA	IDP Objective	IDP Strategy	Directorate Activity	Baseline	Indicator	Annual Target	Weight %	Actual	Comments	Reason for non-achievement	Performance Target (next financial year)
	engagement	community development work systems	at the ward level			to enable planning at a ward level			and 10 wards are still outstanding	(Only 3 Officials for all 31 wards), which resulted in the municipality utilizing the services of CDWs to fast track the process	ward meeting schedules and provide administration support to the wards; also to develop community based planning concept to improve the planning processes
			Training of ward committees	Previous training initiatives		Develop and implement a training programme for the Ward Committees	5%	10%	The training programme was developed but was never fully implemented as only two planned workshops were attended by Ward Committees	The lack of capacity to monitor the ward committee programmes within the directorate	To develop a training programme for ward committees and monitor its implementation

KPA from Strategic Scorecard: Good Governance and Public Participation						
KPA	IDP Objective	IDP Strategy	Directorate Activity	Baseline Indicator	Annual Target	Weight %
		Develop and implement community participation strategy	Work with ward councilors and CDWs to ensure that communities participate in the affairs of the municipality	Community participation policy	Develop a Community Participation Strategy	15%
Integrated Development Planning	Review IDP in line with legislative requirements	Improve the planning processes	Contribute to the IDP review process in line with the IDP Process plan	IDP Document	No of IDP related meeting attended and documents submitted	99% The Community Participation Strategy has been produced and submitted to the Standing Committee and will be submitted to the Mayoral Committee (10/06) and Council (30/06) for adoption

KPA	IDP Objective	IDP Strategy	Directorate Activity	Baseline	Indicator	Weight %	Performance Reporting		Corrective Measure (next financial year)
							Actual	Comments	
KPA from Strategic Scorecard : Municipal Transformation and Institutional Development									
			Facilitate the installation of the FMS, HRMS and EDMS to the relevant officials workstations and training	Systems in place	Improved use of the systems	Build capacity on the use of the EDMS, FMS & HRMS	5%	100%	Various training sessions were organised and attended on the EDMS and FMS with the system administrators (Sebata Municipal Solutions)
			Resuscitate Batho Pele campaign vigorously (Customer Care/etiquette)	Council adopted Customer Care Strategy and policies	Functioning customer care centre	Install Customer Care Devices to receive Customer Feedback and the employees on Customer Care	10%	100%	The directorate has procured posters on the Customer Care Charter of the Municipality and Customer Feedback Devices have been installed on all customer service centers of the Municipality and electronic feedback reports are received

KPA	IDP Objective	IDP Strategy	Directorate Activity	Baseline	Indicator	Weight %	Performance Reporting		Corrective Measure (next financial year)
							Actual	Comments	
KPA from Strategic Scorecard : Municipal Transformation and Institutional Development									
				Nil	Adherence to council's institutional calendar	5%	100%	As part of compliance reporting the directorate produces reports on the adherence to the institutional calendar by the Municipality's directorates and offices	None
		Ensure efficiency of council processes and provide administrative support to council and committees	Work with all departments to ensure that council and committee meeting are run efficiently		Produce reports on the adherence by directorates to the Institutional Calendar				
			Ensure that the Council's procedures are adhered to	Procedures in place	Produce compliance reports on the implementation of Council's procedures	10%	100%	Compliance reports were produced each month on the adherence by directorates on the Standing Rules of Order compliance requirements	None
			Develop and implement a comprehensive employee wellness and safety strategy	Employee Wellness Policy	Employee Wellness strategy developed and implemented	5%	99%	The Wellness Strategy has been produced and submitted to the Standing Committee and will be submitted to the Mayoral Committee (10/06) and Council	There was lack of capacity (nobody dealing with issues of Wellness) and this delayed the production of the Strategy

KPA	IDP Objective	IDP Strategy	Directorate Activity	Baseline	Indicator	Weight %	Performance Reporting		Corrective Measure (next financial year)
							Actual	Comments	
KPA from Strategic Scorecard : Municipal Transformation and Institutional Development									
			Facilitate the development of job descriptions for new positions and evaluation thereof	Approved job description by the JEU	No of job description by the JEU	Implement the second phase of the Job Evaluation Process (maintenance) - writing of job descriptions on the reviewed organogram	10%	50% The Municipality has written new job descriptions and in the review of the structure has made provisions for the in-house Job Evaluation Unit	The delays by SALGA in the finalization of the 1st phase of the process has affected municipalities; however, they hope to complete the process by end of June 09
				Implement the results of the job evaluation	Approved JDs by the JEU	Collective agreement on the implementation in place	Implement the 1st phase of the Job Evaluation Process (LLF discussions on the implementation of the JE results)	5%	99% The analysis of the JE Results was done and reports were tabled to the Executive Management, the Union and the LLF. What is outstanding is the issuance of letters confirming the new job titles and the challenge of wage curves which is not implementable

KPA	IDP Objective	IDP Strategy	Directorate Activity	Baseline	Indicator	Weight %	Performance Reporting		
							Actual	Comments	Reason for non-achievement
KPA from Strategic Scorecard : Municipal Transformation and Institutional Development									
				Council adopted organogram	No of positions identified and created into the organogram	Review the organogram in line with the strategies and objectives as well as the powers and functions of the Municipality	5%	100%	The organogram was reviewed and consultation was done and the Municipal Manager approved it. It will be submitted to Council for adoption
			Work with all department to ensure that the organogram is populated to meet the services delivery needs of the community						None
Communication	Effectively utilise information and communication resources to improve municipal performance	Maintain and update municipal website	Existing website	Website updates posted on time	Report on the uploads and/or maintenance of the Municipal Website to ensure that up-to-date and accurate information is displayed	10%	100%	The website was maintained and reports produced on the compliance or not by directorates in terms of updating	None
									This is a continuous process and is a legislative requirement

KPA	IDP Objective	IDP Strategy	Directorate Activity	Baseline	Indicator	Weight %	Performance Reporting		
							Actual	Comments	Reason for non-achievement
KPA from Strategic Scorecard : Infrastructural Development and Service Delivery									

KPA	IDP Objective	IDP Strategy	Directorate Activity	Baseline	Indicator	Weight %	Performance Reporting		Corrective Measure (next financial year)
							Actual	Comments	
KPA from Strategic Scorecard : Infrastructural Development and Service Delivery									
Infrastructure Development and Service Delivery	Provide centralized, adequate and fully resourced municipal offices by 2010	Provide a suitable work environment for employees and councilors	Ensure implementation of policy on office allocation and maintenance	Office allocation and maintenance policy	Policy implemented	Allocate office space to officials and councilors and ensure cleanliness and proper housekeeping	100%	100%	The policy has been implemented (allocation, maintenance, etc)